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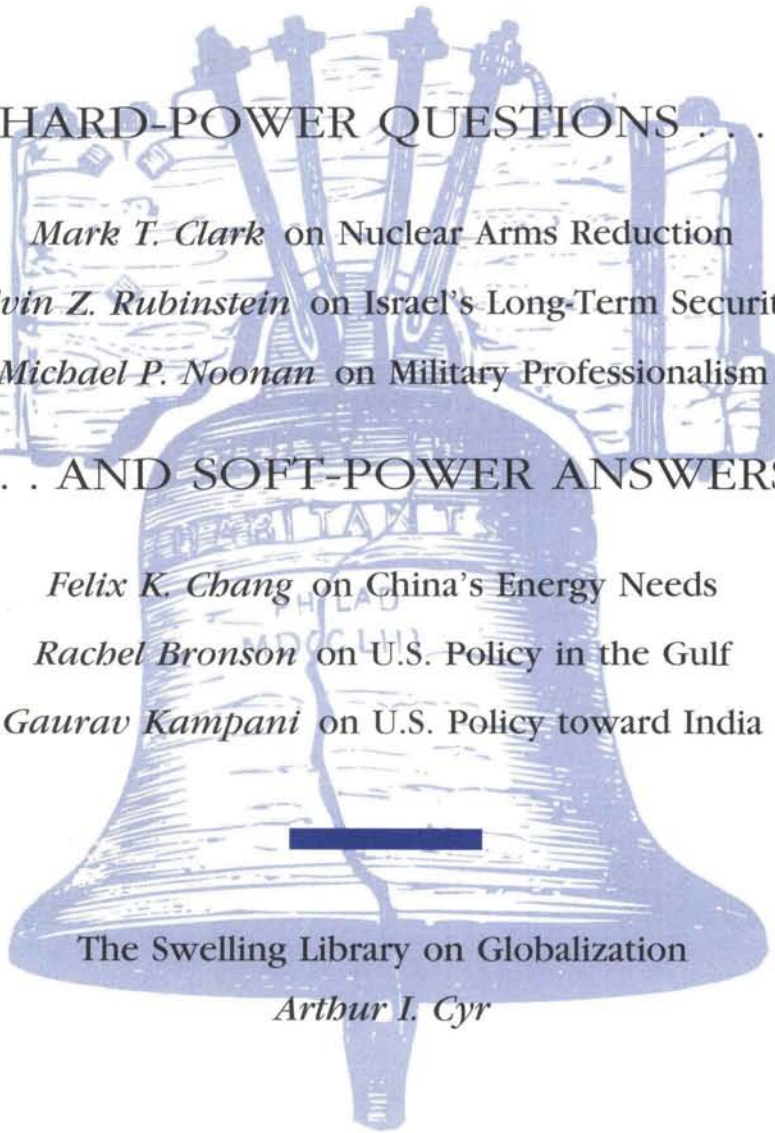
On Religion and Ethnicity



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Alvin Z. Rubinstein on Israel's Long-Term Security

Michael P. Noonan on Military Professionalism

. . . AND SOFT-POWER ANSWERS

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Rachel Bronson on U.S. Policy in the Gulf

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Saudi Arabia, ten years ago: soldiers of the 82nd Airborne Division, training for the possibility that the Iraqis will resort to chemical or biological warfare, swelter in desert heat. Today, a decade after the Persian Gulf War, it is perhaps difficult to recall the fear, even expectation, of thousands of American casualties in that conflict. But as authors in this issue of *Orbis* demonstrate, the questions raised by the spread of chemical, biological, and nuclear weapons are even more trenchant now than they were then, and just as puzzling. (Official U.S. Air Force photo by F. Lee Cochran, in *The Persian Gulf Crisis*, by Steve A. Yetiv [Westport, Conn.: Greenwood Press, 1997]).

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Editor's Column

The administration of George W. Bush, which one might term Bush II in view of the fact that many of the new president's foreign and defense advisers are veterans of his father's administration, inherits a world of challenges any one of which may spawn a crisis at a spur of the moment. Thus, however daunting the tasks of leadership after a contested election, and of building consensus in a divided Congress, the president and his team have no choice but to try to fashion a strong foreign and defense policy posture. Perhaps they will have sounded the trumpet by the time this issue appears. But will they have answered for us the two yawning questions of the post–Cold War era? First, given the multitude of existing or potential threats to American security, interests, and values around the globe, what standards should govern the commitment of force and expenditure of diplomatic capital overseas? Secondly, how much and what sort of military power will be required to sustain U.S. commitments at a politically acceptable level of risk? There will be a strong temptation to continue "kicking the can" down the street, in the damning metaphor coined by Don and Fred Kagan (see below). But the neighborhood is still tough, and the more alleys past which Uncle Sam shambles, the more likely that muggers, gangs, or vandals will burst forth from the shadows. When Americans call, in polls and op-eds, for bipartisanship, they are presumably expressing impatience with scandals, impeachments, special prosecutors, and elections decided in courtrooms, and a hunger for action on such matters as education and social security. But nowhere will bipartisanship be more desperately needed than in foreign affairs.

In These Pages

To the Clinton administration, the slogan "it's the economy, stupid" applied as much to foreign policy as domestic. To be sure, the United States intervened (albeit usually late and always half-heartedly) in numerous trouble spots on four continents in the names of peacemaking, state building, crisis management, human rights, or nonproliferation of weapons of mass destruction. But Clinton's rhetoric suggested that the futures of Africa, Latin America, the Balkans, the Middle East, North Korea, Cuba, and Vietnam, not to mention China and Russia, would be shaped above all by the irresistible forces of global-

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ization, the Internet, and the new economy. Critics of this Washington Consensus, as it was dubbed, insisted on the other hand that the influence of revolutionary technologies and economic competition could not be decisive in the absence of secure regional and global balances of power. Hence, the debates of the 1990s often reduced to a clash between those who defined security in terms of the military and diplomatic equations that make economic and social progress possible, and those who defined security in terms of the economic and social progress that make military calculations unnecessary. And that means we Americans are still, in a sense, fighting the old Cold War fight: is military deterrence (i.e., containment) critical to the defeat of the bad guys, or will economic assistance and social uplift (i.e., global meliorism) suffice to do the job by winning "hearts and minds"?

The articles in these pages demonstrate the complexity of the debate. Rachel Bronson, for instance, willingly stipulates the now widely accepted conclusion that "dual containment" of Iraq and Iran has failed. But rather than calling on Washington to deploy still more firepower to the Persian Gulf, she advocates a new, long-range approach based on economic development (beyond petroleum), political reform, and regional security cooperation among the nations and sheikdoms of the Gulf. In a similar vein, Arthur Cyr examines the spate of recent books on globalization and gives an optimistic but realistic assessment of the ability of free flows of capital, technology, goods, and people to transcend power-political rivalries. James Kurth deploys his incisive logic to the question of religion's role in ethnic conflicts. And Felix Chang, our shrewd and meticulous observer of Chinese affairs, examines Beijing's intensive, cooperative, and heretofore peaceful campaign to locate at home and abroad the oil and natural gas needed to sustain China's helter-skelter economic modernization. A China that depends on overseas energy supplies and Western firms to develop its own resources has a powerful disincentive to wage war.

On the military side of the ledger, Alvin Z. Rubinstein opens the fat sheaf of transcripts produced by his "not for attribution," top-level interviews with Israeli defense officials and analysts, and reveals their thoughts about long-range security in the Middle East. Does Israel dare to trade land for promises of peace—either because the new threats mounted by missiles and terrorism render buffer zones and high ground obsolete, or because Israel's own high-tech systems provide all the early warning and deterrence it needs? What about India's campaign to field nuclear-armed delivery systems? According to Gaurav Kampani, the Indian consensus in favor of nuclear weapons is so broad and determined that for the United States to bluster about it would only prove New Delhi's contention that brandishing nukes is the way to earn the world's respect.

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Better, he writes, for Washington to affect cold indifference to proliferation and get on with its other business in South Asia. One of the most serious but virtually forgotten issues in American military strategy is the role of nuclear deterrence. Since the Russian Duma finally ratified the START II accord, negotiators are moving ahead with a START III agenda that promises to cut the U.S. nuclear arsenal to the lowest level in half a century. Would it really be safe and stabilizing to slash our strategic deterrent to a thousand warheads? Mark T. Clark argues emphatically that it would not. Finally, Michael Noonan examines the future of American military professionalism in the post–Cold War era.

Night Thoughts of an I.R. Professor

Night thoughts tend often to be waking nightmares. It is dark at night, and probably quiet. We are tired at night, and the fears of the morrow intrude without our being able to do anything immediate about them. We brood on the events of the day, week, or month just past, and confess to ourselves that they may not mean or portend what our own public judgments (not to mention the spin and cant of our adversaries) have suggested. Night thoughts may not be truer than day thoughts—they may indeed be paranoid fantasies like the bogeymen under children's beds—but they are usually more honest.

What then, is one to make of Yale historian Donald Kagan's latest book, co-authored with his son Frederick, a professor of military history at West Point?[1] Its message, in a nutshell, is that the United States has been living through an equivalent of Winston Churchill's "years the locust hath eaten," that lost era in the 1920s and '30s when Britain allowed her defenses to slip so far beneath the level needed to maintain her global commitments that appeasement and another world war were rendered inevitable. To be sure, the authors grant that there is no threat on the order of Nazi Germany or imperial Japan in evidence at the moment, but they remind us that such threats can arise quickly, that a self-indulgent, complacent post–Cold War America is not ready to meet them, that in a world of missiles and terrorism Americans are likely to be targeted at once and at home, and that we, unlike the British in World War II, will have no "America" out there to save us in our hour of need. Indeed, American security and world peace may already be forfeit because "[t]his warning, in many respects, is already too late" (p. 434).

Has Donald Kagan, a universally respected authority on war and peace in ancient and modern history, been so audacious as to publish his own "night thoughts"? If he had vented his fears in an op-ed

[1] Donald Kagan and Frederick W. Kagan, *While America Sleeps: Self-Delusion, Military Weakness, and the Threat to Peace Today* (New York: St. Martin's Press, 2000).

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or even an article hastily written, the answer might be yes. But this dense work of nearly 500 pages is not only the product of sober reflection and research, it amounts to the latest and heaviest salvo in a five-year campaign led by William Kristol, Kagan's other son Robert, and their colleagues at the *National Interest* to reinvigorate U.S. foreign policy, rebuild its military, and remoralize its politics at home and abroad. Frustrated by the failure of their crusade to win converts, they even went so far as to name many of their fellow conservatives today's "clear and present danger" by dint of their "absentmindedness, or parsimony, or indifference" to world peace and the spread of democracy. "The middle path many of our political leaders prefer, with token increases in the defense budget and a 'humble' view of America's role in the world, will not suffice."[2]

The present volume drives home that point with a sledgehammer of an historical analogy whose lessons presumably no one except a Patrick Buchanan would gainsay. Their very title is an echo of John F. Kennedy's book *Why England Slept* and a compilation of Winston Churchill's speeches from the 1930s, *While England Slept.* And their historical reconstruction of British defense strategy (or what passed for one) during the interwar decades is detailed and accurate. The coalition cabinet under Prime Minister David Lloyd George rapidly demobilized its army after the Armistice of 1918, and its navy after the Washington Conference arms limitation treaties of 1922. The British Empire emerged from the war even larger than before 1914 and inherited the lion's share of responsibility for policing the world, especially after the United States rejected the Treaty of Versailles and forswore military commitments beyond the Western hemisphere. And yet Lloyd George's government and those that followed only looked for excuses to do nothing when challenges to the postwar order arose, and failed to back up with the necessary force those halting initiatives Britain did take. Most symbolic, perhaps, were the British cabinet's promises to rededicate its resources to domestic welfare in order to make a country "fit for heroes to live in" and to adopt the notorious Ten Year Rule of August 15, 1919: "It should be assumed, for framing revised estimates, that the British Empire will not be engaged in any great war during the next ten years, and that no Expeditionary Force is required for this purpose" (p. 35).

The authors recount the serial results of Britain's abdication of responsibility to establish and preserve a new, liberal world order. When the Turkish nationalist movement rebelled against the old Ottoman sultanate and the Treaty of Sèvres imposed on it by the victorious Allies of World War I, the British government was loath to deploy sufficient forces to oblige compliance with the treaty. Instead, it unleashed the Greek army, whose

[2] Robert Kagan and William Kristol, "The Present Danger," *National Interest*, Spring 2000, pp. 57–69.

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invasion of Anatolia ended, in mid-1922, in a disaster. Kemal Atatürk's Nationalists routed the Greeks, whose army and civilians alike fled across the Aegean. The result was that Britain was obliged to recognize the new Turkish republic and treat it as an equal. Also, in 1923 Italy's new dictator Benito Mussolini seized the island of Corfu, and Greece appealed to the League of Nations. But rather than take a firm stand against aggression, the British sold out the Greeks and in so doing grievously weakened the League's prestige from the start. Meanwhile, France and Germany were engaged in a ferocious struggle over the execution of the Treaty of Versailles. But the British failed either to restrain the French (who sent an army into the industrial Ruhr Valley in 1923, sparking the ruinous German inflation) or to satisfy their craving for security by offering a meaningful alliance to deter or defeat future German aggression. Finally, in the 1925 Locarno treaties, Britain did promise to guarantee the demilitarization of Germany's Rhineland frontier with France and Belgium, but her lack of an expeditionary force (see the Ten Year Rule above) rendered the guarantee anodyne.

When the fascist powers went on the march in the 1930s, Britain was ill equipped to resist, and that weakness in turn sapped her will. In 1931, the Japanese military seized all of mineral-rich Manchuria, a province as large as France and Germany combined. But when China appealed to the League, Lord Lytton's commission merely studied the matter and recommended that the Japanese withdraw (instead, they withdrew from the League). In 1935, Italy invaded Abyssinia (Ethiopia), which also made an appeal to the League. But Foreign Secretary Sir Samuel Hoare not only continued to ship oil to the Italian military and permit it to use the Suez Canal, he fatally undercut the League's sanctions against Italy by trying secretly to bargain with Mussolini.[3] Finally, when Hitler tore up the Locarno treaties in 1936 and reoccupied the Rhineland, the cabinet of Stanley Baldwin accepted the fait accompli, while the French dared not act without British support. That was perhaps the most critical turning point because, as George F. Kennan later wrote, the remilitarization of the Rhineland meant that henceforth Hitler could not be stopped except by risking a total war, and could not be beaten in such a war except with the aid of the Soviet Union. It would seem therefore that the British bear much responsibility not only for World War II, but for the Cold War that broke out in its aftermath.

The second half of the book focuses on American defense and foreign policy following the Western victory in the Cold War, which the Kagans effectively liken to Britain's self-defeating posture after

[3] The authors bitterly note Hoare's boast before the League assembly to the effect that the British would be "second to none to fulfill, within the measure of their capacity, the obligations which the Covenant lays upon them . . ." (p. 205). Hoare was in fact truthful: Britain did very little, but no other nation did more!

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1918. The first Bush administration and especially the two Clinton administrations inherited even broader responsibilities than the United States assumed during its struggle with the Soviet Union, albeit the post–Cold War dangers were of a lower order of magnitude. Accordingly, the United States has systematically expanded its commitments, such as the dual containment of Iran and Iraq, occupation of the Balkans, and expansion of NATO to former Soviet-bloc countries. And yet the U.S. government, like the British in the 1920s, has slashed its armed forces so severely as to call into question its ability to meet its present requirements, much less any new and genuinely fearsome threats on the order of the fascist tide of the 1930s. When American force and diplomacy have been engaged, the United States and its allies have repeatedly stopped short of the thorough victories (e.g., in Iraq, Serbia, North Korea) needed to eradicate the problem at hand and send a clear signal to other potential enemies of peace and human rights. Most risky of all, the Pentagon has virtually closed down its research, development, and procurement of high-technology weapons in a manner reminiscent of Britain's failure to pursue air power during its "long sleep." The lesson would therefore seem clear: the new American administration must rearm—and quickly—if the United States and its allies are not to fall into mortal peril in the next decade or two, much less build and maintain the liberal, democratic, and open world order of which President Clinton boasted.

I agree with the Kagans that the U.S. military has been hollowed out and that a yawning gap exists today between America's power and her commitments. Still I wonder (especially at night) whether the authors' interpretation of the *causes* of British passivity is correct, for if it is not, then their analogy to the United States today may not be apt and their remedy—a mere call to arms—may fail to address the real sources of American torpor. In particular, was Britain's flaccid leadership then (or America's now) a function of material disarmament or moral disarmament, a matter of means or a matter of will?

Let us look first at the story of Britain. The authors indict the Lloyd George cabinet's eagerness to reduce its military after the Armistice, end conscription, and turn attention to domestic affairs. As a result, the "chance to create a stable new order came quickly and passed unheeded" (p. 17). But what else could one expect the British to do? They emerged from the Great War with a debt of billions, their industrial plant exhausted, and their merchant marine destroyed by the U-boats. Healthy veterans demanded jobs, crippled veterans and war widows expected generous benefits, labor unions agitated for the higher wages, shorter hours, and welfare programs that had been put on hold for four years, and the Irish question that spawned armed rebellion in 1916 remained unsolved. Perhaps the best indication of the

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restraints under which Lloyd George labored was the fierce opposition of the unions to any large-scale effort to overthrow the Bolshevik Revolution in Russia. As for defending the "new world order," most Britons soon came to view the Treaty of Versailles as vindictive (a "Carthaginian peace" in the phrase of John Maynard Keynes), damaging to European economic recovery, and morally illegitimate. But even if the British had been prepared to enforce the peace and take the lead in the new League of Nations, they were inhibited from doing so by the United States itself, which spent the 1920s and early 1930s urging Britain to disarm *further*, break its alliance with Japan, balance its budget, pay off its war debts, and accommodate Germany's demands for revision of the peace treaties!

I believe in the value of historical counterfactuals. But I do not think it plausible to ask "what if" the British had remained on a war footing throughout the 1920s in an attempt to cajole Germans, Italians, Turks, Arabs, Indians, Chinese, Japanese, and Soviets into playing cricket by Britain's rules. Nor would it always have been wise for Britain to try. For instance, the Kagans assert that the British would have been right to reinforce their garrison in Turkey and "secure control of the strategic Straits," but they refused to recognize "that these appropriate political and strategic goals required the maintenance of armed forces to guarantee their achievement" (p. 77). I believe those judgments are contradicted by the events themselves. A massive British intervention aimed at enforcing an "imperialist" protectorate over Constantinople would not only have violated the principle of national self-determination on which the new, moral order was supposed to be based, it would have also amounted to a forcible effort to prevent the very "regime change" everyone heralded in Germany when the Kaiser stepped down.[4] Indeed, the only prudent way for Britain to establish friendly relations with Turkey in the long run, and not incidentally win Turkish recognition of Britain's oil-rich mandate in Mesopotamia, was to negotiate with Kemal Atatürk's nationalists over the status of the straits and other Western interests in the region. That is what the British finally did at the Lausanne Conference of 1923, and they were rewarded for their conciliatory stance when the Turks later defied Hitler and stayed neutral during World War II.

On the matter of Britain's lackluster commitment to French security, I agree with the Kagans wholeheartedly.[5] But their text or subtext implies that the British and French failed to defend the postwar

[4] It was also politically impossible given that the Gallipoli disaster, in which thousands of British troops were killed by Kemal's doughty Turkish defenders in 1915, was still fresh in the minds of the people.

[5] Readers may learn more than they wish to about my analysis of Anglo-French strategies toward Germany after Versailles in Walter A. McDougall, *France's Rhineland Diplomacy: The Last Bid for a Balance of Power in Europe, 1914–1924* (Princeton, N.J.: Princeton University Press, 1978).

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order because they had unilaterally disarmed. That was so only for the case of Manchuria: no one (including the United States) deployed forces in the Far East anywhere near sufficient to persuade the Japanese to shelve their ambitions. But the authors themselves grant that when Mussolini attacked Abyssinia it was well within Britain's power to sink Italy's navy, cut off its supply lines, and put paid to Mussolini's New Roman Empire in a matter of weeks. They also admit that when Hitler reoccupied the Rhineland in 1936 it was well within the French army's power to cross the border, scatter the Wehrmacht's feeble formations, and quite possibly instigate the demise of the Führer's regime. Finally, they even conclude that Britain's infamous Ten Year Rule proved valid and was abandoned even before Hitler took power.[6]

Is it not more convincing to suggest that the calamity of World War II was due not to the fact that the democracies lacked *force*, but rather to the fact that they had long since lost their nerve? The "disarmament" of the British and French was moral, not material, which is why the great French historian Jean Baptiste Duroselle titled his book on the 1930s simply *La décadence*.[7] Why, for instance, did the British not do more in defense and foreign policy in the mid-to-late 1920s? Because the nation was being torn asunder by the economic retrenchments accompanying the return of the pound sterling to the gold standard, by the general strike that erupted in 1926, and by the fear of communist penetration of the labor unions. Why did Britain not do more in the early-to-mid 1930s? Because the nation was buried in the Great Depression, and economic orthodoxy dictated balanced budgets and elimination of "wasteful" military expenditures. Why were the British paralyzed in 1936? Because their greatest constitutional crisis since 1688 was clawing daily at the nerves of the government and people: the Abdication Crisis born of Edward VII's desire to marry a divorced American commoner.[8] As for the French, they scarcely had a government in March 1936 as cabinets toppled and socialists and fascists fought in the streets.

But even these contingencies and distractions do not get to the heart of the matter, which is that the British and French did not defend the world order against the fascists because they had long since *ceased to believe in its legitimacy*. Woodrow Wilson had declared national self-determination to be the new organizing principle of interna-

[6] The British reviewed the Ten Year Rule annually and chose to suspend it in 1932. Since Hitler and the German General Staff would later judge, despite their furious rearmament, that Germany would not be ready for war until 1942, the British calendar was exact. That a world war came in 1939 was no one's intention.

[7] *La décadence, 1932–1939* (Paris: Impr. nationale, 1979).

[8] Summed up in the calypso hit song of the day: "For Meesus Simpson and a champagne cork he gave de crown to de Duke of York / Twas love, twas love, twas love alone dat made King Edward leave de t'rone."

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tional relations, but it was the Germans who appeared to have the legitimate national grievances. Wilsonians and Marxists alike damned atavistic imperialism, but it was the British and French who possessed the greatest colonial empires. A generation of historians had concluded that the Great War was caused not by German aggression, but by the imperialism, militarism, alliance systems, and secret diplomacy practiced by all the powers. Hence, high-minded Britons of all parties demanded that their government avoid the mistakes of pre-1914 by refusing to engage in arms races or alliance building and rely instead on direct appeasement or the League of Nations. Another important source of the democracies' moral disarmament was fear. Military theorists predicted that the next war would either bring another bloodbath in the trenches or else the quick destruction of London and Paris by air bombardment. No government could have stayed in power a week if it were not seen to take every step to avoid a second world war. Finally, one of the most important effects of World War I on British strategy was the increased influence exercised by the Dominions (Canada, South Africa, Australia, and New Zealand): if Londoners were chary of risking the British Empire to keep Germans out of the Rhineland or Japanese out of Jehol, how much more so were the Dominions?

The Kagans, of course, understand most of these factors and even employ them to buttress their analogy to the United States today in a series of a fortiori arguments. Were the British so exhausted by one world war and so fearful of another that they balked at assuming leadership in the post-1918 world? Then how much *more* blameworthy would Americans be if they fail to lead, inasmuch as their Cold War triumph was comparatively bloodless? Were the British so financially strapped after World War I, and again during the Great Depression, that they were loath to pay for the arms needed to secure the world? Then how much *more* niggardly would Americans be if they fail to pay, inasmuch as their economy is booming as never before? Were the British inhibited in their exercise of leadership by American isolationism, French vengefulness, German resistance, Soviet communism, and Japanese ambition? Then how much *more* inexcusable would be an American failure to lead, inasmuch as no other power can challenge U.S. military and economic strength, and all but China and Russia share American values?

Yet, the Kagans point out, what we have witnessed since 1989 is American complacence and reticence based on the beliefs that democracy and capitalism will triumph everywhere through globalization, that no "peer competitor" is evident even on the horizon, and that second-rate rogue states can be brought to heel through air power with scarcely an American casualty. So the public, politicians, and pundits (and even some generals and admirals) have happily spoken of

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peace dividends, a strategic pause, and a unipolar world in order to justify meat-axe cutbacks in defense. What they seem not to grasp is that credible force in being and force in reserve are just as necessary to construct a *peace* as they are to liquidate a *war*. The upshot is that the United States, like Britain in the 1920s, has settled for "hollow victories" that only signal to the world America's lack of resolve, bold new commitments that America's disarmament renders incredible, and singularly short-sighted defense plans. Indeed, the Kagans perform a valuable service by describing and analyzing the recent plans—including the Base Force concept that provides for two Major Regional Contingencies, the Bottom-Up Review, the General Accounting Office critiques, the Quadrennial Defense Review, and the National Defense Panel—all of which echo Britain's Ten Year Rule in that they assume that no peer challengers will arise until 2020 or so, and thus inhibit the Pentagon from designing the force structures needed to prevail in a major war.

And yet, and yet. Somehow all these arguments by analogy leave me unconvinced, and the reason is precisely the Kagans' emphasis on material force as opposed to moral disarmament. It can certainly be the case, as they write, that "the inadequacy of military forces to cope with worldwide responsibilities can cripple a nation's will to combat even a single challenge for which its power is more than enough" (p. 431). But how can one argue today that the nations devoted to world order have inadequate forces, when the United States and its allies presently account for 80 percent of all the military spending on earth? Of course, vast sums of money can be easily wasted, and it may be that despite its present hegemony, the United States is still unprepared for the big wars that may come in the near future. But why then do the authors say nothing about nuclear deterrence in the post–Cold War era, or national missile defense, or rapid deployment forces, or the high-tech revolution in military affairs? For that matter, why do they ignore the palpably flagging morale of the U.S. armed services, or the effects on combat effectiveness of social experimentation such as the mixing of male and female, straight and gay personnel, or the devastating impact of high operational tempos, or the wisdom or folly of using combat units for open-ended peacekeeping missions? In sum, they boldly affirm the Clinton administration's rhetoric about America's responsibility to be the world's policeman, but offer no recommendations about where, when, and why U.S. forces ought to be deployed, or what force structures and weapons are likely to be needed in case one or two regional wars erupt. Their only remedy to our putative "British disease" is to spend more money. But on what, and for what?

The fundamental question regarding the British analogy is whether Americans today believe that building and defending the

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new world order everywhere is both their duty and in their national interest, and that a failure to do so may soon invite the sorts of challenges that pushed the world onto the slippery slope leading to World War II. If the answer is yes, then the United States is indeed unready and needs to be far more hegemonic than it already is! If, however, one answers that the purpose of America's defense establishment is to defend America, her interests and allies, and ensure that the United States remains top dog for a long time to come, then aggressive arms racing in the *absence* of clear and present dangers, and aggressive policing of *all* nations everywhere, may perversely encourage other states to retaliate across a spectrum ranging from countervailing alliances to terrorism to weapons of mass destruction, and so reduce U.S. influence and security.

As Harvey Sicherman has wisely observed, the top dog may squander its status if its bark is worse than its bite, or if it barks incessantly while attempting to bite every mutt in the pack. The top dog maintains its status if it barks seldom, but loudly, and bites seldom, but hard. The British once knew that, before World War I sapped their spirit, because it was Lord Curzon who admonished that a great power ought never to intervene unless its intervention is decisive. If the Kagans would identify just one country or one contingency in which they would *not* have U.S. forces engaged, then we would have grounds for argument and quite possibly agreement over America's duties in the world and whether Americans possess the material and moral force to discharge them. But until they do, I remain unconvinced that America 2001 equals Britain 1928. Not yet, anyway.

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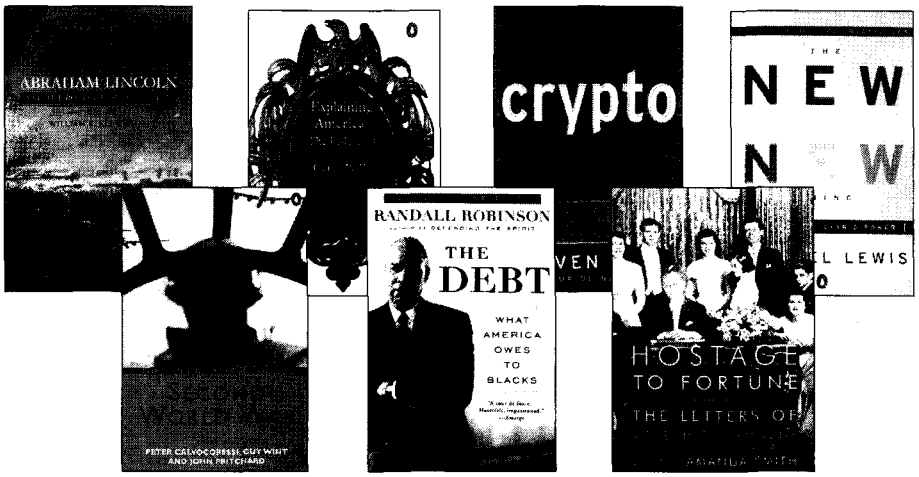

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Seven Worries about START III

by Mark T. Clark

The new administration needs to consider the future of strategic arms and the role arms control may play in managing the nuclear balance. Strategic arms control, embodied in the Strategic Arms Reduction Treaties (START), originated during the Cold War to help manage relations with a well-armed adversary and seems to have developed a life of its own. START I led to START II, which in turn may lead to START III. The question that needs addressing is whether it is in American interests to seek a level of nuclear strength that is at or below the requirements of START III.

The overall limits of the prospective START III are still highly uncertain. Although the United States and Russia agreed in Helsinki to a tentative framework of 2,000–2,500 strategic nuclear weapons per side, the Russians proposed further reductions to between 1,000 and 1,500 ("START III–low"), which is the highest level many Russians think their economy can sustain.[1] The Clinton administration had expressed some interest in the lower numbers, but was either unable or unwilling to agree to the Russian proposal during the president's June 2000 visit to Moscow.[2] As a presidential candidate, George W. Bush seemed to favor these and still lower numbers, even if achieved unilaterally.[3] However, no strategic or budgetary rationale has been given for why the U.S. arsenal should be reduced to that level. Indeed, the

[1] See the White House, Office of the Press Secretary, "Joint Statement on Parameters of Future Reductions in Nuclear Forces," Mar. 21, 1997 (http://www.usembassy.fi); Bill Gertz, "Joint Chiefs Oppose Russian Plan to Cut 1,000 U.S. Warheads," *Washington Times*, May 11, 2000; "Arbatov on U.S.-Russian Arms Reductions," *Carnegie Non-Proliferation Project*, May 18, 2000 (http://www.ceip.org).

[2] Walter Pincus and Roberto Suro, "How Low Should Nuclear Arsenal Go?" *Washington Post*, May 12, 2000; David Hoffman, "Arms Control Reverts to a Waiting Game," *Washington Post*, June 6, 2000.

[3] See George W. Bush, "Missile Defense Now: Time to End the Nuclear Balance of Terror," *Washington Times*, May 25, 2000 (http://www.washtimes.com); see also "Excerpts from Bush's Remarks on National Security and Arms Policy," *New York Times*, May 24, 2000.

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Joint Chiefs of Staff are opposed to such reductions pending further study of their effects on strategic stability.[4]

As they consider the future of the START process, American leaders face a fundamental decision. They can choose to let Russia fall unilaterally to lower levels of strategic weapons by refusing to negotiate reductions to levels that the Russian economy can support. But to do so would almost certainly terminate the START process (which hitherto has been based on strategic parity) and, depending on unilateral U.S. decisions on nuclear forces, could mark the beginning of the end of bipolarity in the nuclear sphere. At the other extreme, the United States could accede to Russian preferences for lower numbers while extracting as many concessions as possible regarding national missile defenses and other issues. The middle ground may be to stick with the Helsinki levels of 2,000–2,500, the lower bound of which Russia has some chance of meeting, especially in the longer term. But inasmuch as deterrence has served to prevent nuclear war between the superpowers both during and after the Cold War, the burden of proof that lower numbers are in American interest rests on those making such proposals.

Several interrelated and mutually reinforcing issues must be addressed by those who argue that greater reductions in strategic nuclear weapons would provide a higher level of bilateral security between the United States and Russia, and greater international stability throughout the world.[5] They can be framed as seven questions:

1) What theory of deterrence can START III–low numbers support?

2) How do those numbers affect strategic stability?

3) How would START III–low deal with the asymmetries in all nuclear and relevant forces?

4) How would START III–low accommodate the asymmetrical political objectives of Russia and the United States?

5) How do START III–low numbers affect U.S. extended nuclear security guarantees?

6) What effects on proliferation may START III–low numbers generate?

[4] For a good discussion, see the Office of Secretary of Defense, Joint Chiefs of Staff and STRATCOM Commander's testimony to Senate Armed Services Committee, "Hearing on U.S. Strategic Nuclear Force Requirements in the DoD Strategic Integrated Operational Plan (SIOP)," *Federal News Service*, May 23, 2000 (http://www.clw.org).

[5] This could be accomplished by means of a thorough Nuclear Posture Review, as called for in Section 1015 of H.R. 4205, the National Defense Authorization for Fiscal Year 2001.

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7) As an instrument of arms control, how do START III–low numbers affect the likelihood of compliance and the consequences of noncompliance by all parties?

These questions address the bipolar nuclear equation before the multipolar one, because the former remains the preeminent threat to U.S. security and is still better understood than the latter. However, both are relevant in considering the purpose of strategic nuclear forces and arms agreements to manage them in the post–Cold War era.

The serious concerns raised by these questions cast considerable doubt on the wisdom of pursuing further reductions. After all, disarmament was first considered in the 1950s, and was then rejected precisely because disarmament schemes made war, by accident or by design, more likely. Arms control was adopted instead as a way to *manage* the nuclear balance, not eliminate nuclear weapons. At the time, the nuclear forces of each side were roughly at the level to which U.S. negotiators now propose to return. Now, however, the technological sophistication—including delivery speed, reliability, accuracy, and target location information—exists to make nuclear war far more predictable and effective. It is therefore even more imperative to pay close attention to the nuclear balance and to any rationale given for further reductions, whether as part of strategic arms negotiations or as a unilateral measure on the part of the United States.

Figure 1 provides a graphical comparison of U.S. and Russian strategic forces at the end of the Cold War and under START I, START II, and two prospective START III treaties with overall limits of 2,500 and 1,500 weapons. The assumption is made that each treaty is a final bilateral strategic arms control treaty, so that both sides will eventually deploy at levels close to the overall limit of the treaty. It must be stressed that these are only *strategic* weapons, not *all* nuclear weapons. When tactical nuclear weapons are included, a great imbalance emerges in favor of Russia.

Theory of Deterrence

What theory of deterrence would a START III–low arsenal support? How would such an arsenal deter not only Russian nuclear threats, but also those from China and North Korea, as well as chemical or biological threats from "rogue" states?[6] What about any two states in combination, as an alliance

[6] U.S. deterrence of Iraqi use of weapons of mass destruction during the Gulf War is discussed in R. Jeffrey Smith, "U.N. Says Iraqis Prepared Germ Weapons in Gulf War," *Washington Post*, Aug. 26, 1995. The United States has committed to using nuclear weapons to deter the use of other non-nuclear weapons of mass destruction, in Thomas Lippman, "Clinton Presses Chemical Pact: Promise of Fierce Response Offered to Gain GOP Support," *Washington Post*, Feb. 15, 1997.

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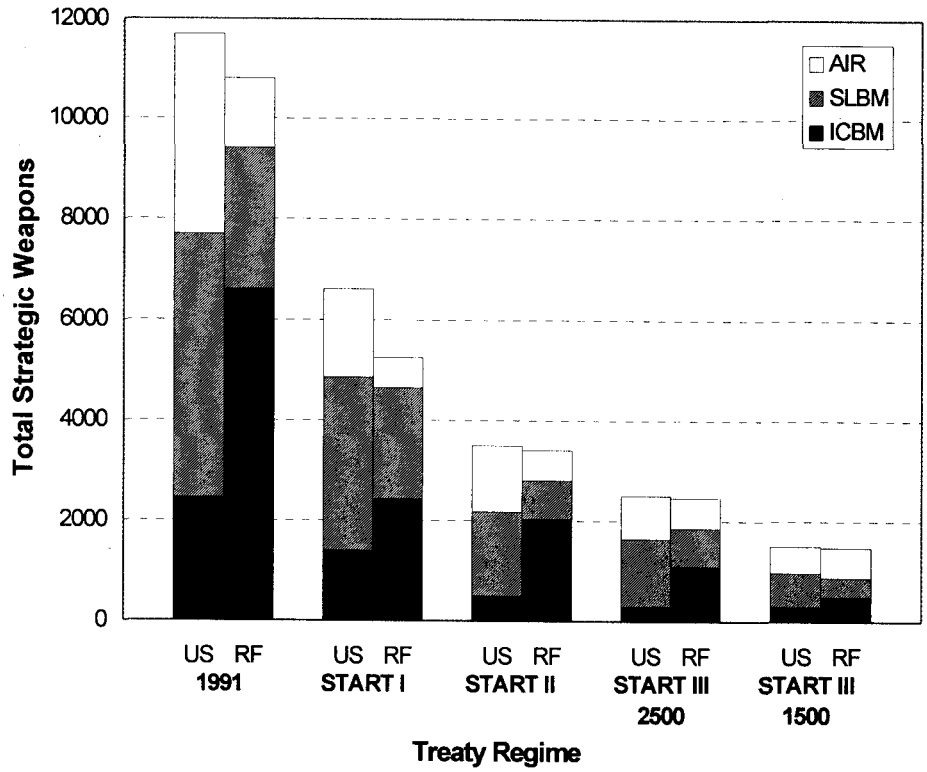

Figure 1. Strategic Forces Under Successive START Treaties

or in some form of coalition? These questions must be addressed to justify significantly deeper cuts in the U.S. strategic arsenal because, while it is commonplace to say that deterrence has prevented nuclear war, studies have shown that in some cases during the Cold War a fear of nuclear war may not have restrained behavior.[7] In other words, deterrence is more complicated and fragile than is generally understood.[8]

The idea of mutual deterrence is fundamental to international relations, and its relevance did not expire with the end of the Cold War. Mutual deterrence relies upon the perception by each side that the other has the requisite nuclear forces and political will to inflict unacceptable retaliatory damage in response to a nuclear attack. The level of threatened retaliatory damage American experts envisioned as necessary to maintain deterrence has varied over time and presidential administrations, but has never dropped below the level set by Secretary of Defense Robert S. McNamara in the early

[7] For a discussion of instances of restraint, see Richard Ned Lebow and Janice Gross Stein, *We All Lost the Cold War* (Princeton, N.J.: Princeton University Press, 1994), p. 356. For analysis of deterrence failures during and after the Cold War, see Peter V. Pry, *War Scare: Russia and America on the Nuclear Brink* (Westport, Conn.: Praeger, 1999).

[8] See Keith B. Payne, *Deterrence in the Second Nuclear Age* (Lexington: University Press of Kentucky, 1997).

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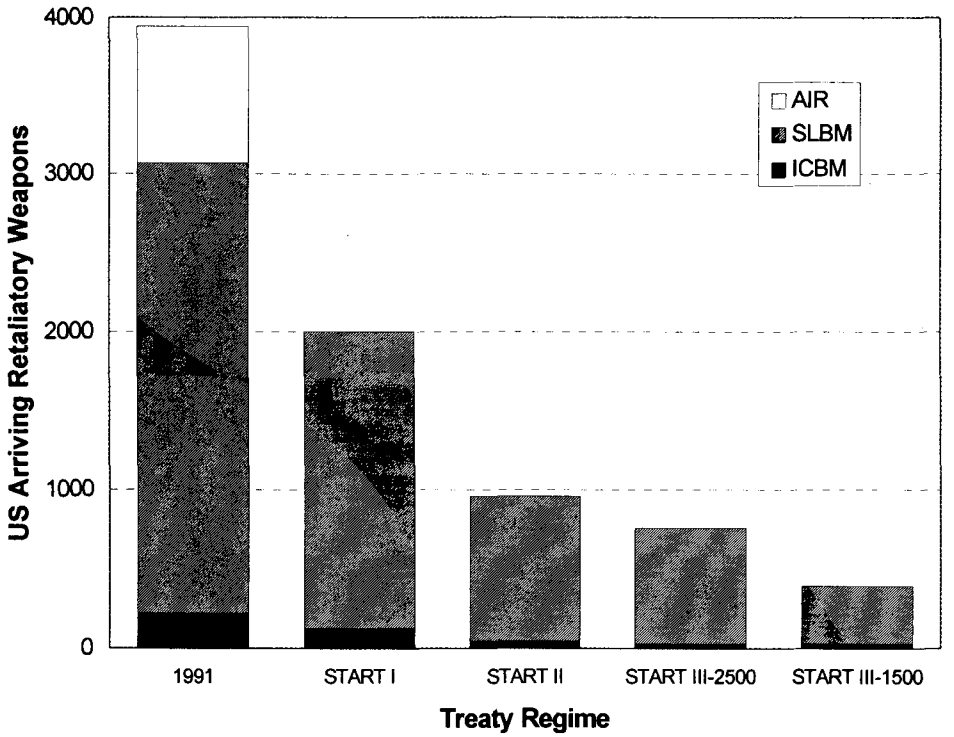

Figure 2. U.S. Assured Retaliation (Day-to-Day Alert, Ride-Out-Attack Scenario) (Figures 2 and 3 use the Arriving Weapons Sensitivity Model Developed by Dr. James Scouras. The data for the model, however, are the author's alone.)

1960s: 400 equivalent megatons (EMT) reliably delivered on target.[9] Since adopting this standard, the United States has always retained the capability to threaten such destruction even in the event that an opponent launched a surprise nuclear attack. The ability to retaliate with 400 EMT after absorbing a well-executed surprise attack on U.S. nuclear-alert forces came to be regarded as not only the prime deterrent for war, but the "intra-war" deterrent as well—that is, the American ability to threaten Soviet or Russian societal destruction and so to preclude any escalation to an all-out strike against U.S. civil society.

With weapons having a yield of less than one megaton, which constitute the bulk of the American strategic arsenal, more than one weapon is obviously required to provide one EMT. START III–low, however, seriously attenuates the U.S. ability to retaliate with 400 weapons, let alone 400 EMT, in the face of a well-executed surprise attack. Figure 2 illustrates this problem. It shows the number of weapons that constitute the assured retaliation of the

[9] Depending upon the configuration of delivery vehicles and warheads, a declaratory policy of 400 EMT may require anywhere from 400 to 4,000 weapons.

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United States after a surprise attack by Russia.[10] The assured retaliation drops from some 4,000 weapons just before the end of the Cold War in 1991 to fewer than 400 weapons under a potential START III–low treaty. In other words, the deterrent capability of U.S. strategic forces declines dramatically with each subsequent START agreement to a level well below what has been historically assumed necessary to deter nuclear war.

Whether or not 400 EMT should remain a criterion for assessing the effectiveness of a deterrent in the post–Cold War era is an important question whose answer ultimately depends on a political judgment. Absent an analytical underpinning, however, no argument to the effect that the United States can safely reduce to START III–low levels can be complete or convincing. Indeed, classical nuclear deterrence depended upon more than the 400 EMT criterion. If 400 EMT are necessary for the counterpopulation "city-busting" strategy of minimum deterrence, then more sophisticated schemes of deterrence require a more robust surviving nuclear force. If the United States is only able to retaliate with 400 EMT, however, then its retaliation will necessarily focus on counter*value* targets, even in response to purely counter*force* attacks. Such a response would invite the societal destruction of the United States, in which case the U.S. leadership may well be self-deterred. The nation needs nuclear forces of the necessary numbers and characteristics to accomplish a variety of minor and major missions against all plausible strategic targets. Only then can the Pentagon adopt a flexible targeting doctrine that will both enhance deterrence and hold out the possibility for war termination short of the complete destruction of both nations.

If strategic nuclear forces fall too low, the ability to accomplish these strategic missions will be compromised. Currently, the United States retains about 2,300 targets in its Single Integrated Operational Plan (SIOP),[11] which consists of four categories of targets: (1) strategic nuclear forces and command, control, communications, and intelligence (C^3I) systems; (2) tactical nuclear and general-purpose forces; (3) military-industrial assets; and (4) administrative and nonmilitary industrial assets. The number of targets has diminished greatly from Cold War levels thanks to the breakup of the Soviet Union, reductions in Russian strategic forces under START I, fewer critical military, industrial, and C^3I targets in Russia, and lessened international tensions. The question for advocates of deep reductions is, what rationale supports even further reductions in the SIOP target array?

Even if one accepts that the target base can be safely reduced to some 1,500 targets, corresponding to the START III–low warhead limit, arguments that 1,500 weapons are more than adequate to cover these targets fail to

[10] Assured retaliation is defined as the number of retaliatory warheads that can be expected to be reliably delivered on target after absorbing a first strike while on day-to-day alert and not launching on tactical warning.

[11] Pincus and Suro, "How Low Should Nuclear Arsenal Go?" The U.S. target set for Russian strategic nuclear forces, on the other hand, is much lower, a fact conveniently forgotten by almost every pundit.

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recognize the simple reality that even the ability to retaliate with 1,500 missiles under START III–low would require that the United States generate (i.e., raise the alert level of) its strategic forces and launch on tactical warning (LOW). Today the United States does not rely upon these tactics, and proponents of deep reductions do not advocate relying on them, because they are highly destabilizing elements of nuclear strategy. The current SIOP target base of some 2,300 weapons is about the same number of weapons that the United States has in its assured retaliation force under START I, as shown in Figure 2. If the Pentagon were to reduce to START III–low levels, it would have to cut the target base by over 80 percent to cover it with START III–low assured retaliatory forces of approximately 400 weapons.

The problem has been compounded since the Persian Gulf War by the U.S. requirement that American nuclear forces be capable of deterring not only traditional nuclear powers, but also new nuclear powers and other states throughout the world that have or will acquire chemical and biological weapons.[12] An even more problematic issue is the growth in numbers of underground bunker complexes throughout the world (in Russia, of course, but also in China, Libya, Iraq, Iran, North Korea, and elsewhere) that conceal and protect weapons of mass destruction (WMD). These add significantly to the number of potential strategic targets and complicate SIOP targeting plans.

One can also see from Figure 2 that since U.S. bombers were taken off day-to-day alert, American assured retaliation has consisted almost entirely of weapons from a single leg of the triad of land-, air-, and sea-based strategic forces. At START III–low levels, U.S. strategic nuclear forces may be reduced below the level adequate to maintain the triad. However, even with a triad, almost all the forces that constitute assured retaliation come from the sea-based leg, specifically submarine-launched ballistic missiles (SLBMs). Should submarines at sea become vulnerable, the U.S. deterrent would collapse.

Beyond the question of quantity, the theory of deterrence developed during the Cold War is based upon the assumption that the adversary is a rational actor, that is, capable of logically analyzing the consequences of his and U.S. actions and thus arriving at policies and decisions that minimize the risk of nuclear war. (According to the assumptions of the theory, nuclear war is ipso facto an *irrational* act because the costs of nuclear conflict always outweigh any conceivable gains.) The Soviet Union seemed to fit the rough parameters of the "rational-actor model" since it pursued stability, more or less, and never engaged in nuclear war. However, maturing scholarship suggests that the Soviet Union behaved this way more because it was a "conservative" power than a "rational" one by the theory's definition.[13]

[12] See the testimony of Deputy Under Secretary of Defense for Policy Walter Slocombe in "Hearing on U.S. Strategic Nuclear Force Requirements."

[13] See Payne, *Deterrence in the Second Nuclear Age*.

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For post–Cold War theorists of deterrence, it would be presumptuous—and potentially dangerous—to assume that what worked in the past will continue to work in the future, at least in the same way. If the United States continues to reduce its forces, it will eventually reach the point at which nuclear war is no longer an obviously irrational act. At that point, arms control, far from enhancing deterrence, may only make the world "safe" for nuclear war.

Effects on Strategic Stability

What effects on strategic stability might a proposed START III–low agreement have? In a bipolar nuclear world, strategic stability refers to a relationship in which neither side has any incentive to initiate a nuclear war, even in the most provocative of circumstances. In time of severe international crises, when one or both sides fear that the other is preparing to launch a first strike, the calculus of deterrence discussed above may not be adequate. Even if both sides possess survivable retaliatory forces adequate to inflict "unacceptable" damage after absorbing a first strike, the perceived choice might not be war or no-war, but strike-first or strike-second. This is the desperate logic of first-strike stability.

With large arsenals and robust second-strike forces, the question of first-strike stability is largely moot. Whether one strikes first or second in a crisis, both sides will suffer devastating military and societal damage. However, as arsenals are reduced the difference between striking first and second becomes critical: the side that strikes first may well survive, while the side that hesitates may be destroyed. Each side's decision to strike first or wait in a crisis will depend to a large extent on the survivability of both sides' strategic forces. In peacetime, both sides maintain a portion of their forces on alert (i.e., ready to fire) and a portion of these alert forces in a survivable basing mode (e.g., ballistic missile submarines [SSBNs] at sea or mobile intercontinental ballistic missiles [ICBMs] deployed out of garrison to field locations). These survivable forces make up the assured retaliatory power of each side. In a crisis, survivability can be enhanced by generating strategic forces, thereby placing a greater portion of forces in a survivable basing mode and/or by executing a LOW strategy to enable vulnerable alert forces, such as ICBMs in silos, to survive. But in a crisis, such actions might be highly provocative.

As Figure 3 indicates, Russia's assured retaliation is extremely weak by historical standards and would be even more so under START III–low. Such a shaky deterrent undermines strategic stability because Russia's likely response to a crisis would be (and, to an extent, already is) to emphasize early force generation, launch on tactical warning, or a preemptive strike—all highly destabilizing elements of nuclear doctrine.

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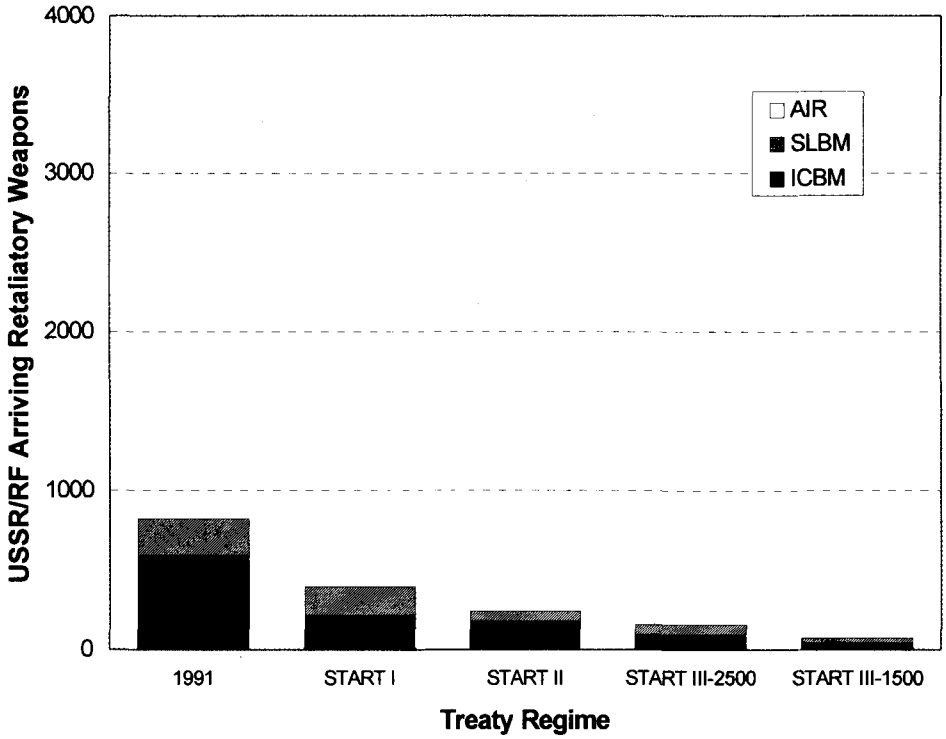

Figure 3. U.S.S.R./R.F. Assured Retaliation (Day-to-Day Alert, Ride-Out-Attack Scenario)

A related but distinct concern has to do with the viability of the triad, which has historically been considered necessary to complicate an adversary's attack plans and reduce his confidence in achieving victory by launching a surprise nuclear attack. During the Cold War, undefended, land-based, multiple-warhead ICBMs were thought to be the most destabilizing systems because they provided attractive targets. However, they are highly reliable, have high day-to-day alert rates and quick reaction times, and are flexibly targetable. Sea-based systems were considered the most stabilizing because the deployed elements were extremely survivable, but SSBNs are costly and day-to-day alert rates are lower than those of ICBMs. Bombers fell somewhere in between: vulnerable bases and low day-to-day alert rates (zero since 1991) rendered them vulnerable, but they had the unique virtue of being recallable. By having a variety of launch platforms capable of delivering a variety of nuclear warheads, the triad has provided U.S. leadership with redundancy and flexibility, key requirements for any nuclear force posture.[14]

What configuration of forces can the United States sustain at the level of a mere 1,000–1,500 strategic nuclear warheads? It will be difficult to maintain adequate support infrastructure, including maintenance, supply,

[14] See Office of Secretary of Defense, *Report of the Defense Science Board Task Force on Nuclear Deterrence* (Washington, D.C.: U.S. Department of Defense, Oct. 1998), pp. 17–20.

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training, and personnel, for the few strategic systems that remain under a START III–low agreement. A balanced triad is still possible, but undoubtedly there will be pressure to eliminate one leg of the triad—ICBMs. However, under START III the United States would then have only two bomber bases and two submarine bases. A hostile power need target only half a dozen land-based U.S. assets and could concentrate nearly all its energy on solving the problem of ocean surveillance. Keeping 500 ICBMs in the United States, on the other hand, would seriously complicate enemy attack plans.

Another triad-related problem with START III–low is its unintended effect on some conventional military forces. Depending on how the Pentagon configured its forces to comply with START III provisions, it may have to eliminate a significant number of B-52 bombers, even though a substantial percentage of them perform conventional missions only. The effect on the U.S. Trident submarine force is also important. The navy may want to convert some of the SSBN force into submarines for nonstrategic land-attack missions, but the current "counting rules" under START prevent it from doing so.[15] Should the Russians remain inflexible on amending those rules, the Pentagon may have little incentive to support such low numbers without a substantial budget increase to offset conventional military shortfalls.

Asymmetries in Nuclear Forces

How would a START III–low treaty deal with the asymmetries in nuclear forces? Any START agreement implies nuclear equality or at least parity, but Russia has at least two-thirds of the world's nuclear forces, while the United States has less than one-third: Russia maintains some 8,000–12,000 tactical nuclear weapons compared to 1,000–1,500 American ones (see Figure 4). Some of these weapons are in the half-megaton (500 kiloton) range and are functionally similar to strategic nuclear warheads. As the commander of the Strategic Command, Admiral Richard Mies, has argued, "[T]he lines of distinction between strategic and tactical are often blurred and tend to be treaty distinctions more than . . . real distinctions."[16] Large numbers of tactical nuclear weapons that do not fall under START limits are deliverable to long-range targets and indistinguishable from strategic weapons. Reductions in strategic nuclear weapons, in other words, inadvertently magnify the importance of tactical nuclear weapons.

This problem is further aggravated by the fact that Russia's tactical warheads are the most likely nuclear weapons to be used first in any

[15] See "Hearing on U.S. Strategic Nuclear Force Requirements"; and "United States Faces Tough Choices on Road to Start III Force Levels," *Inside the Air Force*, July 7, 2000, p. 1.

[16] Data on U.S. forces from Carnegie Endowment for International Peace, "Nuclear Numbers" (http://www.ceip.org). On Russian forces, see statements of Sen. John Warner in "Hearing on U.S. Strategic Nuclear Force Requirements." The Mies quotation is from the same hearing.

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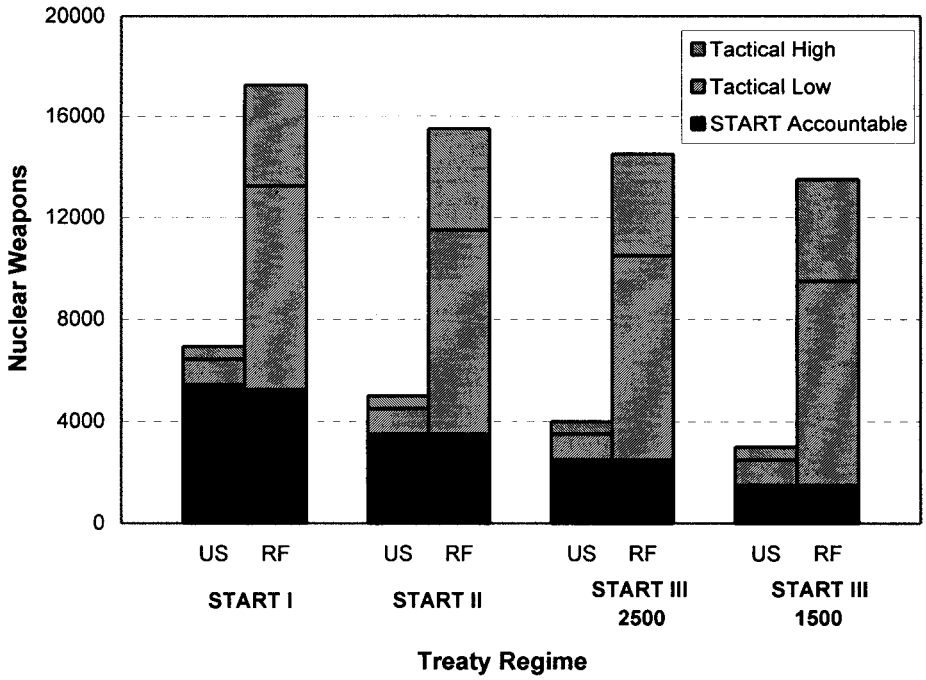

Figure 4. Total START-Accountable Nuclear Weapons.
Source: Based on data from the testimony of Senator John Warner, in "Hearing on U.S. Strategic Nuclear Force Requirements in the DoD Strategic Integrated Operational Plan (SIOP)."

escalating war. First, Russia's tactical nuclear weapons are geographically positioned for use in military theaters Russia considers most likely to see conflict, that is, its "near abroad." Unfortunately, many of the countries that border Russia's "near abroad" also happen to be U.S. allies. Secondly, although such weapons have been labeled tactical by virtue of their range, their effect would be strategic to those against whom they would be used, for instance U.S. allies in NATO or the Asia-Pacific region. Thirdly, Russia's new nuclear doctrine not only reduces the threshold for nuclear use, it also emphasizes tactical nuclear weapons in order to compensate for its conventional military weakness.[17] Thus, the weapons most likely to be used in a conflict are precisely those that are unregulated by *any* START agreement.

A second asymmetry that START fails to address is the imbalance in active and passive defenses. Although much has been made of U.S. plans for a limited national missile defense, Russia maintains the world's only operational missile defense system, which protects Moscow and large parts of European Russia, where 75 percent of the country's population lives.[18] Russia

[17] Celeste A. Wallander, "Russian National Security Policy in 2000," *Program on New Approaches to Russian Security Policy Memo Series*, no. 102, ed. Erin Powers, Harvard University, Jan. 2000 (http://www.fas.harvard.edu/~ponars).

[18] The limited Russian antiballistic missile system comprises a nuclear-armed system of endo- and exo-atmospheric missile interceptors and associated radar and control complexes.

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also has an enormous complex of moderately hardened bunkers and a smaller complex of super-hardened bunkers that are all but impervious to nuclear attack. The fact that the United States lacks any equivalent antiballistic missile system or bunker complexes makes offensive parity in strategic weapons problematic, as there is no equivalence in target sets.

Asymmetrical Political Objectives

How would START III–low accommodate the respective political objectives of Russia and the United States? While a treaty codifies a given level of nuclear forces, the military necessity and political will to use them or contemplate using them, whether in a surprise attack or for strictly retaliatory purposes, may change over time. For all intents and purposes, however, a START III–low agreement would make such a configuration practically irreversible. Are American strategists prepared to freeze their nuclear arsenal forever?

Although the prospects for a cooperative relationship with Russia seemed promising in the early 1990s, the hopes and expectations were probably too high from the start. In addition, Russia has changed directions in a rather dramatic way. As recently as 1997, Russia named the United States a strategic partner, but by the end of the decade Moscow considered China its strategic partner, at a time when U.S. relations with both powers reached a nadir. Indeed, Russia's most recent National Security Concept paper describes the United States as the leader of a hostile coalition of states bent on opposing Russia as one of the centers of a multipolar world, hindering its national interests, and weakening its position in Europe, the Middle East, Transcaucasus, Central Asia, and the Asia-Pacific region. Similarly, China opposes what it terms American "hegemony" and promotes multipolarity throughout the world.

The weapons most likely to be used are unregulated by any START agreement.

During its "time of troubles," Russia has lowered its threshold for the use of nuclear weapons. Since the Soviet collapse, the Russian conventional military has deteriorated so precipitously that the country now must rely much more heavily on its nuclear forces than before. Russia's nuclear doctrine states that nuclear weapons are essential to its broader military strategy and places a premium on deterring all kinds of threats, including non-nuclear ones, with nuclear forces. This comes at a time when the United States has dramatically reduced its reliance on nuclear weapons for almost any conflict, relying instead on superiority in advanced conventional weaponry. It may happen, therefore, that Americans' belief in and reliance on high-tech conventional military forces mislead them into thinking that nuclear weapons have little (if any) utility and are unlikely to be used. But that belief would

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ignore the real calculation most other states make, namely, that the only way to blunt American dominance is to opt for asymmetrical weapons, including nuclear ones, to offset U.S. conventional military superiority.[19]

For its part, China aspires to be a great power with its own agenda. Unlike the Soviet Union during the Cold War, however, China does not appear satisfied with the status quo. It has a number of outstanding territorial and regional claims that conflict with the interests of the United States and its allies in East Asia. Although China has a few nuclear weapons targeted against U.S. cities,[20] a concerted modernization program may help it challenge the American and Russian lead in strategic nuclear forces.

In sum, START III–low would permanently weaken the U.S. ability to respond flexibly to unexpected threats, lower the threshold for nuclear deterrence, and limit U.S. targeting options vis-à-vis states whose WMD programs continue to mature.[21] START III–low proponents thus need to show how the presumed benefits of such an agreement would outweigh the risks associated with various political asymmetries the treaty would exacerbate.

Extended Nuclear Deterrence Guarantees

How do START III–low numbers affect U.S. extended nuclear security guarantees? As discussed earlier, the credibility of deterrence depends upon the configuration of one's strategic forces. But it is not at all clear how any configuration of forces under START III–low could credibly deter a well-armed adversary. Reductions to that level would permit neither the forces requisite for a declaratory policy of assured retaliation of 400 EMT nor a sufficient number of warheads to accomplish a fraction of the SIOP mission. The problem is compounded by the additional requirement that U.S. nuclear forces deter new nuclear powers and powers armed or arming themselves with other sorts of WMD.

If the United States may not be able credibly to deter an attack on itself, how less credible would U.S. nuclear security guarantees to its allies become? Throughout the Cold War, allies were reassured by the U.S. ability to provide them with troops supported by tactical and intermediate nuclear forces. Since 1991, however, the United States has downgraded the role of nuclear weapons in its alliance commitments, removed tactical nuclear weapons from overseas, and in most cases physically destroyed them—all actions

[19] See remarks by former Indian army chief of staff General K. Sundarji in Selig Harrison and Geoffrey Kemp, *India and America after the Cold War* (Washington, D.C.: Carnegie Endowment for International Peace, 1993), p. 20.

[20] See Bill Gertz, "China Targets Nukes at U.S.; CIA Missile Report Contradicts Clinton," *Washington Times*, May 1, 1998; and Bill Gertz, "Pentagon Study Finds China Preparing for War with U.S.," *Washington Times*, Feb. 2, 2000.

[21] See testimony of Adm. Mies in "Hearing on U.S. Strategic Nuclear Force Requirements."

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that remain unreciprocated by Russia. The United States has also taken its heavy bombers off alert and has no nuclear-armed sea-launched cruise missiles (SLCMs) deployed on attack submarines. Thus, in a crisis, any decision to alert nuclear-armed bombers or deploy SLCMs to a particular theater would be seen as a highly provocative action.

Over the same years, the United States has reduced or halted research, testing, and development of nuclear weapons. The Comprehensive Test Ban Treaty, Stockpile Stewardship Program, and ongoing cuts in research and development all suggest that the U.S. military-technical supremacy that formerly supported its extended deterrence capabilities is vanishing.[22] Not surprisingly, the across-the-board U.S. retreat from reliance on nuclear weapons for extended deterrence has inspired several American allies (including South Korea, Japan, and Taiwan) to consider developing their own independent nuclear forces. For the time being, they have been dissuaded by Washington,[23] but the credibility of U.S. extended deterrence continues to erode, especially as new threats emerge to nuclear-capable allies of the United States. Proponents of START III–low need to demonstrate how the modified force structure would not adversely affect the calculations of those allies that remain dependent on extended nuclear security guarantees from the United States.[24]

Effects on Proliferation

In many respects, the world today is indeed unipolar. In terms of advanced conventional weaponry and the ability to project power around the world, the United States remains dominant. As regards nuclear weapons, however, the world is bipolar, since Russia is still capable of destroying the United States. That is why Washington continues to engage Moscow in strategic arms negotiations.[25] However, given the recent trend toward proliferation, an ill-conceived and unsound strategic arms reduction treaty may only hasten the drift toward a multipolar nuclear world in which several nations acquire the ability to compete at the highest levels of military power.[26]

[22] See Office of Secretary of Defense, *Report of the Defense Science Board Task Force*, pp. 18–24, 41–53; see also *U.S. Nuclear Policy in the 21st Century: A Fresh Look at National Strategy and Requirements*, executive report (Washington, D.C.: National Defense University, July 1998), pp. 4–8, 22, 27–37.

[23] See Payne, *Deterrence in the Second Nuclear Age*, pp. 21–22; Dan Oberdorfer, *The Two Koreas* (Reading, Mass.: Addison-Wesley, 1997), pp. 70–71.

[24] See *U.S. Nuclear Policy in the 21st Century*, pp. 14–15.

[25] Strictly speaking, no weapon is truly "strategic" or "tactical" in its own right, but may have strategic or tactical effect. The United States has adopted the distinction between tactical, intermediate, and strategic solely on the basis of the range of the system in question. This is important because many "tactical" nuclear weapons may be used for strategic effect, but are not covered in "strategic" arms control.

[26] *U.S. Nuclear Policy in the 21st Century*, p. 4.

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It has generally been assumed that the large number of strategic and nonstrategic nuclear weapons in existence has been a cause, if not the only cause, of the spread of nuclear weapons to other nations. India made this case strongly during the early negotiations over the Nonproliferation Treaty (NPT), insisting that every state had the *right* to produce nuclear weapons.[27] In exchange for giving up that right, states were entitled to receive nuclear technology for peaceful purposes. (By way of contrast, the original assumption behind the NPT was that it was in everyone's interest to avoid the spread of nuclear weapons, for proliferation itself may lead to inadvertent nuclear wars.)

Despite the changed political environment at the end of the twentieth century, however, the proliferation of nuclear weapons is a fact, not a hypothesis. Since the end of the Cold War, Russia and China have engaged in vertical proliferation. To be sure, Russia has drawn down its total number of warheads, but continues research and development to improve its remaining strategic nuclear weapons. China, meanwhile, is unconstrained by *any* nuclear arms agreement and engages in its own modernization program, evidently assisted by the theft of advanced U.S. nuclear and rocket technology.[28] Horizontal proliferation also continues according to its own dynamic, as India, Pakistan, Iran, Iraq, and North Korea aspire to regional security (or in some cases regional hegemony) through acquisition of WMD.

Would START III–low discourage such proliferation, or would it inadvertently create the incentives for lesser powers to obtain or increase their nuclear stockpiles? The likely answer is that severe U.S. reductions would induce new competition. With U.S. strategic nuclear weapons at anywhere from 1,000 to 1,500 under START III–low, China could for the first time aspire to become a comparable nuclear power. It is far easier and cheaper to build and maintain a few hundred nuclear weapons and delivery systems than a few thousand. START III–low would also make it far more affordable for Russia to continue modernizing its strategic nuclear forces at a time when the United States has stopped its own research.

Would START III–low also provide India and Pakistan the opportunity to become moderate-sized nuclear powers, and if so, what effect would that have on their neighbors? Would even U.S. allies such as Japan, Korea, Taiwan, and Germany choose to acquire nuclear weapons as regional adversaries acquire and proliferate them, and especially if U.S. nuclear deterrence should become less credible? START III–low proponents need to be aware that their proposed reductions may ultimately encourage proliferation.

[27] Henry Sokolski, "What Does the History of the Nuclear Nonproliferation Treaty Tell Us about Its Future?" in *Fighting Proliferation: New Concepts for the 1990s*, ed. Henry Sokolski (Washington, D.C.: Air University Press, Jan. 1996).

[28] U.S. Department of Defense, "Future Military Capabilities and Strategy of the People's Republic of China," report to Congress pursuant to Section 1226 of the FY 98 National Defense Authorization Act (Washington, D.C.: U.S. Department of Defense, Nov. 1998), also available online (http://www.fas.org).

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The Problem of Noncompliance

A final worry stems from the perennial problem of insuring all parties' compliance with a treaty. During the Cold War, when very large numbers of nuclear warheads and delivery vehicles existed, it would have taken a substantial effort to cheat on a scale sufficient to achieve some measurable strategic advantage. Indeed, thanks to its technical means of reconnaissance and verification, U.S. intelligence observed a substantial number of Soviet violations of arms-control instruments. Even so, for the most part the Soviets achieved strategic advantage by means of legitimate arms production within the constraints of arms control.

At much smaller levels of arms, however, it would become much easier to gain a strategic advantage by cheating. Producing a thousand warheads is obviously a full order of magnitude riskier than producing a hundred nuclear weapons clandestinely. In addition, other hidden advantages may also accrue to the cheater operating at smaller force levels. Although the common perception is that a balance of forces is found in their ratio, military campaigns have repeatedly affirmed that a better indicator of the likely outcome of a military conflict is the square of the ratio of forces (Lanchester's square law). Thus, if side A has four artillery tubes and side B has three, the likely advantage is not four to three for side A. Rather, it is better represented as sixteen to nine, an almost two-to-one advantage. In other words, at very low levels, a small change in the balance may result in a large change in the outcome.[29]

Should Russia decide to cheat under START III–low, the effects could be severe. A leadership that is committed to violating the provisions of START III–low by, for example, secretly keeping as few as fifty SS-18 ICBMs, each with ten warheads, could change the outcome of the strategic balance dramatically.[30] Thus, it may be the case that lower levels of strategic armaments actually encourage *noncompliance* because cheating pays so handsomely.

Small Is Not Beautiful

The seven questions raised here are really only the starting points for addressing many troubling problems deriving from the very low numbers of weapons permitted under a START III framework. Too low a ceiling for the agreement could produce a "tyranny of numbers" and the loss of all flexibility as the United States endeavors to maintain deterrence for an uncertain future.

[29] For a fuller discussion, see Peter Vincent Pry, *The Strategic Nuclear Balance: And Why It Matters* (New York: Taylor and Francis, 1990), vol. 1, pp. 26–28.

[30] The point is illustrative only. A committed leadership may decide to keep nondeployed mobile missiles or slowly "creep out" from the treaties' provisions.

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Anyone who has witnessed the enormous sea change in international politics that occurred between the late 1980s and early 1990s knows that it could happen again. If the next change proves worse for the United States, the country could be forced, however reluctantly, to consider withdrawing from an agreement it finds too restrictive, which would be a provocative act in itself.

Although there may be value in pursuing further reductions, Americans must avoid being mesmerized by the allure of smaller numbers for their own sake. Nuclear war is neither more nor less likely solely on the basis of the number of weapons in existence. The general fear is that higher numbers both foster and reflect a higher level of international distrust, and generate more opportunities for accidents. But smaller numbers are more easily *calculable* and may lead one side to consider the consequences of nuclear war both predictable and manageable. However, each side's respective politics, doctrines, practices, and personalities are more important in determining the likelihood of nuclear conflict than numbers alone.[31]

Arms control was originally conceived as another tool to help secure U.S. national interests. It was pursued in cooperation with adversaries and potential adversaries alike, and it was primarily conducted in order to ensure stability among nuclear powers, not for the sake of disarmament alone. When, however, arms control threatens to undermine U.S. security and global stability, it becomes a hawk in dove's plumage. Unless and until its proponents prove otherwise, a START III–low agreement would seem to be just such a beguiling but dangerous bird.

[31] See Thomas C. Schelling, *Arms and Influence* (New Haven, Conn.: Yale University Press, 1966), pp. 234–38, 244–51.

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Smith Richardson Foundation International Security and Foreign Policy Program
Junior Faculty Research Grant Program

Description

The Smith Richardson Foundation's International Security and Foreign Policy Program is pleased to announce its annual grant competition to support junior faculty research on American foreign policy, international relations, international security, military policy, and diplomatic and military history. The Foundation will award at least three research grants of $60,000 each to support tenure-track junior faculty engaged in the research and writing of a scholarly book on an issue or topic of interest to the policy community. These grants are intended to buy-out up to one year of teaching time and to underwrite research costs (including research assistance and travel). Each grant will be paid directly to, and should be administered by, the academic institution at which the junior faculty member works.

Procedure

An applicant must submit a research proposal no longer than ten pages to the Smith Richardson Foundation. This proposal must have five sections: (1) a one-page executive summary; (2) a brief description of the issue or the problem that the proposed book will examine; (3) a description of the background and body of knowledge on the issue to be addressed by the project; (4) a description of the personnel and methods (e.g., research questions, research strategy, analytical approach, tentative organization of the book, etc.); and (5) a brief explanation of the implications of the prospective findings of this project for policy making. In addition to this proposal, the applicant should include a *curriculum vitae*, a detailed budget explaining how the grant would be used, a work timetable, including a date on which the applicant would begin to use the grant funds, and a copy of policy-relevant scholarship. A detailed template for a junior faculty proposal is available at the Foundation's website (www.srf.org).

Project Criteria

Proposals will be evaluated based on the following criteria: (1) the relevance of potential analysis and findings to current and future foreign and security policy issues; (2) the potential of the project to innovate in the field and to contribute to academic or policy literature on the chosen topic; (3) the degree to which research questions and analytical methods are well defined; (4) the degree to which the project will develop valuable new data or information through field work, archival work, or other methods; and (5) the publication record of the applicant.

Eligibility

An applicant must have a Ph.D., preferably in Political Science, Public Policy, Policy Analysis, International Political Economy, or History. He or she also must hold a position as a full-time tenure-track faculty member of a college or university in the United States. An applicant should explain how he or she meets all of these requirements in a cover letter to his or her research proposal.

Deadline

The Foundation must receive all Junior Faculty Research Grant proposals by **June 1, 2001.** Applicants will be notified of the Foundation's decision by **October 31, 2001.**

Please mail your proposal to:

Junior Faculty Research/International Program
Smith Richardson Foundation
60 Jesup Road
Westport, CT 06880

If you have any further questions, please submit them via e-mail to webresponse@srf.org.

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Beyond Containment in the Persian Gulf

by Rachel Bronson

George W. Bush's new administration has been dealt a difficult hand in the Middle East. With fighting in the West Bank and Gaza, volatile oil prices, airline hijackings, terrorist threats and attacks, and provocative Iraqi troop movements, the president can be excused if he believes that he will not find his political fortune in that troubled region. If the elder President Bush's efforts in building the Gulf War coalition in 1990 and President Clinton's in mediating the Israeli-Palestinian conflict have come to naught, why should U.S. leaders waste any more time in this endlessly frustrating area?[1]

What the current Middle East turmoil points to, far more clearly than any pundit or analyst could have argued, is the paucity of the Clinton administration's understanding of containment. Persian Gulf states, exasperated with the U.S. approach, are actually rebuilding relations with Iraq. On October 7, 2000, Saudi Arabia requested from the United Nations an opening of a trade route with Iraq. Kuwait and other Gulf states did not object to Iraq's participation in October's Arab Summit. And at the November meeting of the Organization of the Islamic Conference in Doha, Qatar helped Iraq and Kuwait reduce their tensions. What was it that undermined Washington's containment strategy?

A key problem is that the Clinton administration pursued a strategy in the Gulf that was almost entirely reliant on military-to-military relations and did not articulate any positive social, economic, or political vision for the region. In other words, it failed to create local incentives to support U.S. policy—the essence of a successful containment strategy. To make matters

[1] The author thanks members of the study group "U.S. Security Policy in the Persian Gulf" cosponsored by the Council on Foreign Relations and James A. Baker III Institute for Public Policy of Rice University. In particular, Ambassador Edward P. Djerejian, the group's chairman, devoted considerable time and provided important guidance. The author also thanks Negar Katirai for her research assistance on this project.

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worse, this military approach was put forward at a time when Gulf states themselves were desperately seeking social and economic solutions to their growing domestic problems. The narrow implementation of containment has been viewed by the United States' Gulf partners as largely irrelevant to their most pressing concerns. The new administration must therefore adopt a broader approach.

Although the policy of containment took its name from the strategy employed by the United States against the Soviets, the current version differs substantially from the original. There was, of course, a central military component to containing the Soviets, as there is to the containment of Iraq and Iran. But Cold War containment included important social and economic components designed to consolidate the support of U.S. partners. Such alliance-maintenance measures have been largely absent from U.S. efforts in the Gulf, where Washington's narrow approach has made the military the sole instrument of American policy. The terrorist attack on the USS *Cole* demonstrated not just the military's vulnerability, but the importance of broader regional ties. Despite ten years of active U.S. military presence, the United States has virtually no public support in the Gulf, and Arab partners have lost faith that Washington will help them solve their most urgent problems, many of which require forms of assistance that the U.S. military cannot provide.[2]

Some analysts argue that containment is dead, but it was actually never attempted. President Bush should consider building a true containment strategy in the Gulf—one that strengthens partners and weakens adversaries by shifting the focus away from the military and developing a comprehensive vision that promotes a stronger, more cohesive Gulf. The new administration will quickly realize that long-term U.S. interests require support from the members of the Gulf Cooperation Council (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). The force posture of the United States heavily depends on these countries, and their location makes them crucial to all future plans in the region. But at the same time, their deep structural problems—burgeoning populations, unpredictable economic growth rates, an unstable oil market, domestic debt, outdated education practices, and immense expatriate labor populations—are becoming impossible to ignore and could undermine close security relations.

If socioeconomic concerns are not addressed, two scenarios are possible. Revolutionary change is a small but significant possibility, and it would be nightmarish. Leaders desperate to consolidate domestic support might turn against the U.S. military or, conversely, expect U.S. military forces

[2] A rare expression of support was published by the Kuwaiti columnist Khalil Ali Haidar, who argued that "we have no interest in seeing the U.S. position weakened in the Gulf or anywhere else, for that can only enhance the Iraqi threat and the prospect of Kuwait once again being subjected to blackmail." See *Mid East Mirror* (London), Oct. 20, 2000, reprinted from *al-Watan*, Oct. 20, 2000.

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to come to their defense. Radical new governments could force the withdrawal of American troops or even hold hostage the extensive personnel, matériel, and other assets that the United States maintains in the region.

More likely is a scenario in which the continued fracturing of the Desert Storm coalition leads to increasing constraints on U.S. action. Leaders in the region are already facing intensifying pressure from their populations to distance themselves from Washington's Gulf policy because it offers few perceived benefits at considerable cost. The security benefits the United States provides are not evident on a day-to-day basis, but the growing social and economic problems are. Moreover, thousands of Gulf citizens have participated in protests to show support for the Palestinian *intifada*, but also to voice criticism of their own governments and the United States. To quell the opposition, some Gulf leaders are now pursuing closer ties with Iraq and Iran and distancing themselves from the United States. For its part, Washington has not condemned the protests, believing them to be a necessary vent in response to the Palestinian-Israeli violence, but it is already facing the consequences: U.S. warships have been moved out to sea for protection and are refraining from using the Suez Canal, and embassies have been temporarily closed for security reasons.

The Current U.S. Approach

Before Desert Storm, the minimal American military presence in the Gulf was devoted primarily to local training. U.S. strategic mobility was limited, and the military lacked the pre-positioned assets required to mount a credible defense. Gulf states, mindful of Washington's unwillingness to send sufficiently armed fighter aircraft to Saudi Arabia during the Iran-Iraq War, questioned the strength of the U.S. commitment.

Over the past decade, the United States has cultivated excellent bilateral military ties with each of its Gulf partners. U.S. military officials meet regularly with senior military and political leaders in the region, and the United States conducts joint training exercises with the militaries of all six GCC states. Moreover, the Gulf partners pick up the tab for much of the U.S. military's incremental costs.[3] Saudi Arabia now hosts significant U.S. air assets, Kuwait maintains U.S. Army and Air Force facilities and equipment, and Bahrain is home to the Commander of U.S. Naval Forces Central Command (COMUSNAVCENT), the only military headquarter component in the region. Qatar supports the largest land-based U.S. pre-positioning site in the world and is negotiating with the U.S. Air Force over access to its new airstrip. Oman pre-positions more than $3 billion worth of equipment at the Hormuz

[3] Incremental costs are "operational costs (including personnel related costs) incurred by an activity that would not have been incurred if the operation had not been executed." Department of Defense, Regulation 7000.14R.

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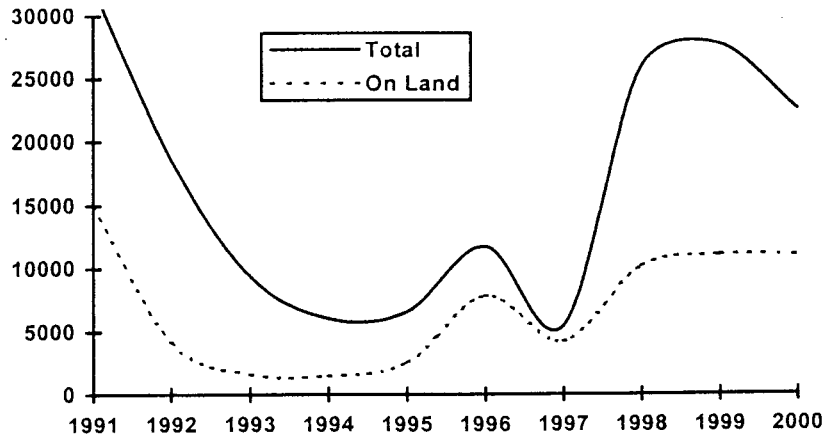

Figure 1. American Troops in the Persian Gulf
Source: Adapted from the Department of Defense, *World Manpower Distribution by Geographic Area* (Washington Headquarters Services, Director for Information Operations and Reports, 1991-2000).
Note: Afloat figures are slightly higher than actual totals because they capture the entire Central Region rather than only the Persian Gulf. However, most of the afloat assets in the area are devoted to Persian Gulf operations.

choke point. The UAE has significant naval support facilities, offers the only port in the Persian Gulf that can dock an aircraft carrier, and provides more U.S. troops with liberty than any other port in the world. With 11,000 service personnel on land throughout the region and another 15,000 regularly at sea (see Figure 1), the U.S. military is now positioned to deal with both a large threat from Iraq and low-level incursions such as the regular Iraqi violations of the no-fly zone, and can also limit Iran's ability to control the important sea lanes of the Persian Gulf.

Shifting Local Concerns

It is ironic that with the end of the Cold War the United States has come to rely more, rather than less, on the military in the conduct of its foreign policy. But continued reliance on the military alone could weaken Washington's influence throughout the Gulf, because leaders there are facing daunting domestic challenges that will require careful management. Even Saudi Arabia's leadership, usually the slowest to acknowledge domestic problems publicly, has recognized the challenges of "coping with our rapidly growing population, meeting the public's demands for services and becoming more economically efficient."[4] Private discussions at the highest level are under way between the United States and its local partners, and American assistance will no doubt be welcome—but only if it involves diplomatic tools more subtle than the armed forces.

[4] Author's interview with Saudi official, Riyadh, July 2000.

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At the heart of many of the problems are young and rapidly growing populations. In Saudi Arabia, at least half of the population is fifteen years old or younger; in Oman the figure is 45 percent; in Kuwait 35 percent; in Bahrain 30 percent; U.A.E. 29 percent; and Qatar 26 percent. Working-age populations are growing by about 5 percent each year, and the local economies are unable to absorb new workers rapidly enough. As a result, unemployment is visible to the average Saudi and Kuwaiti for the first time since the oil boom of the 1970s.[5] A recent study published by King Abdulaziz University in Jeddah estimated the Saudi unemployment rate at 27 percent, which in fact probably understates the problem.[6]

Difficulties are compounded by the instability of the oil markets. When oil prices were low in 1998, GCC economies grew by just 1.2 percent. While the International Monetary Fund (IMF) predicts the global growth rate in 2000 to be 4.8 percent, Saudi Arabia is expected to grow by 3.5 percent, and other studies predict that growth in almost all Gulf states will fall below the world average.[7] Perhaps most tellingly, Saudi Arabia's per capita gross domestic product dropped from $15,500 in 1980 ($2,500 more than the U.S. figure that year) to $6,600 in 1998 ($25,000 less than in the United States).[8]

Attracting foreign direct investment (FDI) is a priority for all of the GCC states, which need capital to fund crucial infrastructure projects.[9] Over the past twenty-five years, Saudi Arabia has drawn only $5 billion in foreign capital, although $139 billion was available worldwide in 1999 alone.[10] A more transparent economic and legal system would help both to encourage FDI and to end the drain on money kept outside the Gulf. According to the World Bank, GCC nationals hold between $150 billion and $200 billion abroad, while other analysts put this number closer to $500 billion.[11] In addition, the large foreign labor pool remits approximately $20 billion per

[5] Author's interviews, Kuwait and Doha, Jan. 2000.

[6] "Saudi Workers in Private Sector Falls Short," *Gulf News*, July 9, 2000.

[7] *World Economic Outlook* (Washington, D.C.: International Monetary Fund, Sept. 1, 2000). Although the Economist Intelligence Unit (EIU) predicts a growth rate for Kuwait of 2.8 percent, Kuwait is projecting a $5 billion deficit in the next fiscal year. See "Kuwait Projects Five Billion Dollar Deficit in the Next Nine Months," Agence France-Presse, June 18, 2000. The EIU forecasts a real change in growth in Saudi Arabia of 2.0 percent, falling to 1.7 percent in 2001. Other analysts predict increases as high as 15.0 percent. "Database: Growth Forecasts," *EIU Business Middle East*, Apr. 16, 2000. The United Nations also expects Gulf states' real GDP growth of 4.32 percent to be below the average of 4.8 percent for developing economies. Africa is expected to grow by 5.0 percent. Economic and Social Commission for Western Asia, *Survey of Economic and Social Developments in the ESCWA Region 1999–2000* (New York: United Nations, 2000), pp. 4, 5, 41. Actual year-end growth rates for 2000 were unavailable at time of writing.

[8] U.S. Commercial Service, *Country Commercial Guides for Saudi Arabia* (Washington, D.C.: U.S. Department of Commerce, 2000), p. 2.

[9] Gulf states will need to invest at least $100 billion in their power sectors alone. "Gulf States Need $100 bln for Power over 10 Yrs—Study," Reuters, Nov. 27, 2000.

[10] Saudi American Bank, *Saudi Arabia's New Foreign Investment Law* (Riyadh: Saudi American Bank, Apr. 25, 2000).

[11] World Bank, *Claiming the Future* (Washington, D.C.: World Bank, 1995).

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year.[12] Although Gulf states are now reviewing and redrawing domestic laws governing investment, accounting, and adjudication, experts believe the changes are not happening fast enough. For example, Saudi Arabia is opening its multibillion-dollar energy sector, but is unlikely to hit its year-end target for signing memoranda of understanding with big oil firms.[13] Kuwait's privatization efforts remain mired in parliament.

Beyond the problems of weak growth and a shortage of capital, the training Gulf college graduates currently receive is not keeping up with the needs of business. As a result, although unemployment is increasing, firms in the region are hiring thousands of skilled foreign nationals. Each state is now trying to strike a balance between religious training and professional skills, and between traditional rote methods and creative thinking. The GCC recently began encouraging the development of a labor exchange that links training and educational programs throughout the region, and each state has offered incentives to hire local nationals.[14] Saudi Arabia, for instance, has set up a fund to assist, share costs, and give loans to private firms that train and employ Saudis.[15] But training costs are high, and companies are reluctant to invest time and money in employees who are often poached by rival firms. The difficulties are compounded by cultural expectations that make it difficult for a firm to fire a national. Oman provides a good example of the region's problems: although the total expatriate labor force declined in 1998 by 2.3 percent, the number of Omani citizens employed by the public sector increased by 2.6 percent.[16]

To be sure, Gulf states have taken steps to address some problems. Governments are using the windfalls created by high oil prices to pay down external debt and correct structural weaknesses rather than provide free social services and support inefficient industries, as in the past.[17] But as sluggish economic forecasts and weak job growth indicate, the greatest structural flaw of all has yet to be tackled. The local economies (with the notable exception of the UAE) remain undiversified and excessively vulnerable to fluctuations in the price of oil. Their attractive short-term prospects rely on a tenuous and by most estimates unsustainable revenue stream.

[12] Middle East Department, *Financial Systems and Labor Markets in the Gulf Cooperation Council Countries* (Washington, D.C.: International Monetary Fund, 1997), p. 38.

[13] "Saudi Energy Opening Likely to Miss End-Year Target," Reuters, Nov. 9, 2000.

[14] Fayrouz Tawfik and Nissar Hoath, "GCC Labour Panel to Be Formed Soon," *Gulf News*, June 12, 2000. Each state has prodded the private sector to hire local workers instead of foreigners. But by not focusing on the fundamental problems of poor education and limited growth, the programs risk exporting the problems of unemployment and poor training from the public to the private sector.

[15] "Saudi Arabia to Aid Private Firms Employing More Nationals," Reuters, Aug. 15, 2000.

[16] *Survey of Economic and Social Developments*, p. 37.

[17] Wheat subsidies, an egregious example of economic inefficiency, have notably been reduced. See Ministry of Planning, *Kingdom of Saudi Arabia: Achievements of the Development Plans 1390–1418 (1970–1998)* (Riyadh: Ministry of Planning, n.d.), vol. 16, p. 99.

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New Opposition

It is difficult to predict exactly how the frustration generated by structural inefficiencies will manifest itself, but Gulf leaders are justifiably worried. Senior Saudi planners and members of the royal family have even identified economic problems as a chief national security problem.[18]

To be sure, by traditional measures the region is more stable than it has been for some time. Leadership succession is no longer the pressing concern it was just a few years ago. The speed with which the Qatari and Bahraini transitions occurred was promising, and Crown Prince Abdallah's assumption of power in Saudi Arabia has occurred in all but name. Saudi Arabia is unlikely to face a succession crisis for a decade or more, when the decision will need to be made on how to pass the mantle of leadership from the sons of Abdel Azziz to his grandsons. In the UAE, power is likely to pass seamlessly from Sheikh Zayed to his oldest son, Khalifa, who will himself determine his successor. The transitions in Kuwait and Oman, however, remain unclear. For its part, Iran is also no longer aggressively trying to export Islamic revolution and, particularly under President Mohammed Khatami, has sought to engage its Arab neighbors rather than threaten them.[19]

Domestic concerns are breeding a new kind of discontent in the Gulf.

On the other hand, domestic concerns are breeding a new kind of discontent that will pose problems for U.S. partners in the region. On October 14, 2000, for instance, two Saudis hijacked a Saudi Airlines flight from Jeddah to London, motivated by a chilling array of grievances. Ayish al-Faridi, one of the hijackers, stated, "Saudi people cannot find work and they [the Saudi government] bring in foreigners to protect us."[20] A hijacker was also quoted as saying, "We are just ordinary people and we are calling for the rights of the Saudi people, such as decent education, decent health and other services."[21] Others have used protests against the Israeli-Palestinian confrontation to express concerns about their own domestic problems. As the editor of *al-Quds al-Arabi*, Abdelbari Atwan, writes:

> [T]he Arab armies are not going to fight Israel, of course. Nor are they going to lead [the] process of change within individual Arab countries and if they do it will be change for the worse. For the Arab armies are corrupt, their generals preoccupied with enriching themselves and their relatives from the public purse. Accordingly, *it is the downtrodden young generation which has to take upon itself the task of acting to change the ossified status quo, just as their Romanian, Indonesian and Yugoslav*

[18] Author's interview with Saudi official, Riyadh, July 2000. See also Robin Allen, "More Saudis Finding Fewer Jobs," *Financial Times*, June 23, 2000.

[19] Tensions between Tehran and Abu Dhabi still run deep over their ongoing island dispute.

[20] Faiza Saleh Ambah, "Saudi Dissidents Want U.S. to Leave," Associated Press, Oct. 17, 2000.

[21] Ewen MacAskil, "Ordinary People in Protest over Saudi Rights Abuses," *Guardian*, Oct. 16, 2000.

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> *counterparts did* . . . the Arab world was not ripe for change then [in the early 1990s] as it is now.[22]

Gulf leaders recognize that clashes about Israel, U.S. military bases, and sanctions imposed on Iraq only exacerbate their more immediate domestic problems. The Middle East political analyst Salim Nasser argues that

> the fight for Jerusalem pulls all the Arabs together, but behind the [demonstrations] for the holy city there is an expression of real opposition to the regimes. . . . So far the Arab streets may be controllable. But if protests in Palestine continue, it could become a real problem for governments.[23]

Dr. Hassan Nafaa, the chairman of the political science department at Cairo University, warns bluntly that "the situation is becoming more ripe for political upheaval in the Arab countries."[24]

Social dislocation provides fertile ground for radical religious groups. The Algerian civil war was fueled by young, unemployed men who faced limited opportunities for jobs or economic well-being. The Israeli evacuation of southern Lebanon is also noteworthy because it was perceived as the first time that a strategy of violence sustained by religious commitment directly resulted in a political and military victory. "Most of the Islamic groups have lost a lot of credibility in the last decade," notes Rami Khori of the *Jordan Times*, "but the Islamic groups have all gotten a bit of a boost from the Hizballah in Lebanon."[25] Other evidence suggests radical Islam is on the rise. Last year, a school girl in Kuwait was beaten for dressing immodestly. In November 2000, two members of the Kuwaiti security apparatus were arrested for associating with elements close to Osama bin Laden and abetting a foiled attack on U.S. military assets in northern Kuwait.

Iraq, having recognized that socioeconomic problems in the region can be exploited to destabilize its neighbors, now poses a threat that extends well beyond the military sphere into the political and economic. The attack on the *Cole* served as a warning not only to the United States, but also to Gulf states that believe Iraq was involved. A report from an Arab security agency noted that the bombing gave the GCC countries concrete reasons to take more seriously the danger posed by Iraq. "[S]everal Gulf countries have discovered that [Iraqi machinations] have gone beyond verbal threats to infiltration attempts by the Iraqi intelligence and suspicious moves by Iraqi agents or agents linked to Iraq or their territories."[26]

[22] Abdelbari Atwan, "Has the Palestinian Revolt Triggered a Region-Wide Anti-American Backlash?" *Mid East Mirror*, Oct. 12, 2000, emphasis added.

[23] Roula Khalaf, "Arab Regimes Face Test of Nerve over Troubles," *Financial Times*, Oct. 11, 2000.

[24] Sudarsan Raghavan, "Arab Anger Could Strengthen Militant Islamic Movements," Knight Ridder/Tribune Service, Oct. 25, 2000.

[25] Ibid.

[26] "Report Cites Sources on Iraq's Responsibility for USS Cole Explosion," Foreign Broadcast Information Service—Near East and South Asia, from *al-Watan al-Arabi*, Oct. 27, 2000, pp. 16–19.

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The Reticent Americans

Managing domestic difficulties will be a monumental task for regional leaders, and Washington has not been oblivious to these changes or the worries they engender. One senior U.S. official reflected that "there's a very scared group of Arab leaders out there who see the streets moving beyond their control."[27] Unfortunately, while American policymakers pay lip service to the needs of the Gulf states, U.S. policy remains fixated on bilateral military ties.

Washington has been reluctant to offer a new approach for three reasons. First, current policy is based on the calculation that U.S. national interests are centered on Iran and Iraq. Therefore, any nonmilitary policy focus at best distracts and at worst antagonizes important partners. Changing focus is viewed as too risky a proposition, since accelerating the pace of economic reform could destabilize governments at a time when the United States needs strong and externally focused partners. This logic is exactly backwards. It will become increasingly difficult for local leaders to formulate coherent external strategies if they are overwhelmed by domestic demands for change. A flurry of diplomatic initiatives toward Iraq from Gulf governments, corresponding directly with street protests against Israel, clearly indicated that leaders will not be able to weather domestic challenges without accommodating their foes abroad. Such accommodation will in turn make it more difficult for those leaders to work alongside Washington, especially if U.S. policy toward Iran and Iraq does not change in the short run. By refusing to alter its course, therefore, Washington is likely to confront exactly what it is trying to avoid, namely, social upheaval. Addressing domestic issues will not distract local leaders from dealing resolutely with Iran and Iraq; it will enable them to do so.

A second reason that Washington has not attempted to pursue a regional socioeconomic strategy is that prior multilateral attempts have failed. The Damascus Declaration that aspired to bring together Egypt, Syria, and the Gulf states ultimately went nowhere. The GCC itself has not even overcome its members' suspicions toward each other, leaving them reluctant to work together. American multilateralism, according to this argument, would put American prestige at risk in pursuit of unrealizable goals. But considering the urgency of their looming problems, Gulf leaders may be ready to engage the United States and each other in new ways. It is notable that when the U.S. military has demonstrated high-level commitment and provided leadership, its regional initiatives in the Persian Gulf have attracted favorable responses. Furthermore, Gulf leaders' cooperation with the IMF and the European Union also suggests that a socioeconomic strategy for the entire region could now be successful.

[27] Robin Wright, "Mideast Crisis Reflects Arabs' Rising Aspirations," *Los Angeles Times*, Oct. 17, 2000.

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A third reason Washington has been reluctant to make broad nonmilitary proposals is that it is wary of appearing to be a colonial power. The problems Gulf states face are by and large domestically driven and therefore ostensibly outside the province of traditional foreign policy. Any attempt to influence local politics could stir resentment, as did, for example, a trip to Kuwait by former U.S. congressional staffers in early 1993.[28] However, the U.S. foreign policy establishment has long played an active role in devising frameworks for addressing domestic problems in other strategically important regions. During the Cold War, the socioeconomic challenges faced by allies were considered an important target of U.S. policy. George Kennan, the architect of containment, was fully aware of the need to establish institutions that promoted not only the military, but also the economic and social strength of states threatened by the Soviet Union, and he therefore advocated political, military, and economic union in Western Europe. Washington pressured Great Britain to join the developing European economic union rather than the British-Canadian-U.S. trilateral economic arrangement that London preferred.[29]

The Persian Gulf does not need the same level of economic aid that Europe once did, but the United States has done little to address the changing priorities in the Gulf, although it has not ignored them completely. The Clinton administration tended to wait for regional partners to approach it for assistance and then redirect their requests to nongovernmental organizations. When possible, it would call for increased transparency, privatization, and adherence to international regulatory standards, and work on a bilateral basis to help each country achieve those goals. The State Department, for instance, helped to attract commerce to the UAE, championed Saudi Arabia's inclusion in the World Trade Organization, and heralded improvements in women's rights and democratic practices throughout the region when they occurred.

Toward a Multilateral Policy

This limited approach, however, will not suffice to handle the deluge of difficulties on the horizon. By contrast, a comprehensive, multilateral socioeconomic strategy would accomplish several important tasks. It would give the lie to accusations that the United States is intentionally sowing division among the Gulf states and in the Arab world more generally.

[28] Although the visit was not by an official American delegation, it caused enough of a stir that Kuwaitis were still discussing it in 1999. The trip was resented because Kuwait prides itself on being the most democratic country in the region, boasting the only democratically elected parliament in the Gulf. The former staffers seemed unaware of this fact and pushed hard for increased parliamentary powers.

[29] Policy Planning Staff document 23, "Review of Current Trends: U.S. Foreign Policy," Feb. 24, 1948, in *Containment: Documents on American Policy and Strategy, 1945–1950*, ed. Thomas H. Etzold and John Lewis Gaddis (New York: Columbia University Press, 1978), p. 114.

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Secondly, it would provide political cover for Gulf leaders who have been unwilling or unable to make the hard decisions that are now imperative. Thirdly, it would help increase the collective economic might of the Gulf, since almost every state on its own is too small to attract the foreign capital it needs. Fourthly, a multilateral approach would strengthen Gulf states' ability to withstand pressures from Iran and Iraq. Lastly, more extensive contacts between the United States and its Gulf partners would help U.S. policymakers to identify areas where American efforts would be most productive.

A new Gulf strategy will require numerous changes, but also recognition of some geopolitical constants. One of the latter is the enduring importance of Saudi Arabia, the country with the greatest population, largest market, closest relations with the United States—and the most severe problems, which impact all of its neighbors. As one Kuwaiti observer noted, "[W]e have a leader in this region who refuses to lead."[30] That said, the United States now has crucial ties to every Gulf state, and these must not deteriorate as the result of an emphasis on Saudi Arabia.

Charting a new American strategy will clearly require that U.S. policymakers give Gulf relations a higher priority than they did during most of the 1990s, and they will have to make their commitment unambiguous. Some observers have suggested that the Clinton administration began to appreciate the need for closer coordination with its partners only after Operation Desert Fox in 1998. In general, however, mixed signals from Washington have left U.S. partners uncertain as to the strength of American commitment, interest, and leadership. The Clinton administration occasionally treated Iraq as its highest priority, but then seemed to ignore it in order to pursue other goals. On trips to the region, Secretary of State Madeleine Albright tended to visit only one country, even though every state is crucial to American plans throughout the Middle East. By contrast, Defense Secretary William Cohen made a point of visiting each Gulf partner on each trip. Bill Richardson's 1999 trip to Saudi Arabia was the first by a secretary of energy in over ten years, initially an encouraging sign of a higher profile for the Gulf. Soon afterward, however, the United States used its term as president of the U.N. Security Council to declare "Africa month" at a time when the body was desperately trying to establish a new inspection regime for Iraq.

In a similar vein, contradictory statements from the U.S. Congress in one week of March 2000 were anything but coherent. On March 23, Representative Benjamin A. Gilman (R–N.Y.), the chairman of the House International Relations Committee, argued that given the administration's lack of attention to Iraq, "it is no wonder that our allies in the region . . . question whether the administration is really serious about its declared policy of

[30] Author's interview with Kuwaiti political analyst, Kuwait, Jan. 2000.

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removing Saddam from power."[31] One week earlier, however, that same committee had called for sanctions against Saudi Arabia, Kuwait, Qatar, and the UAE in response to high oil prices, and others in Congress argued against U.S. support for rich Gulf monarchies. Obviously, Congress itself is unclear about the importance of those states to U.S. strategy.

A concerted effort by the new administration will be necessary if the entire U.S. government is to convey the message that strong U.S.-Gulf ties are important to the immediate interests of dealing with Iraq and Iran and the long-term interests of ensuring the free flow of oil, freedom of navigation, and regional stability. Once a high-level commitment is made, the White House should build upon the bilateral relations constructed over the past eight years to create a regional socioeconomic policy framework. To date, the State Department has focused on country-specific proposals such as rationalizing privatization, trademark, copyright, patent, and investment laws. While these initiatives should continue, the White House and State Department should also support bolder programs. For example, having recognized the economic challenges the oil-dependent Gulf states face, the IMF is promoting a new regional cooperation program and the European Union is supporting trade talks with the GCC that have been well received. Significantly, the GCC states are exploring regional cooperation and have committed to establishing a customs union among themselves. Missing from the picture are high-level, multilateral initiatives from Washington other than military programs.

The only high-level U.S. initiatives have come from the military.

To its credit, the U.S. military has taken steps to address local concerns that the American presence is straining unity in the Persian Gulf and ties throughout the Middle East by, for example, promoting the Cooperative Defense Initiative (CDI) and environmental security projects. The CDI, launched in 1998, seeks to develop a security architecture for the region; enhance ties among Egypt, Jordan, and the GCC; provide the Gulf with sophisticated intelligence once largely reserved for Israel; and help the Gulf states develop indigenous responses to an attack involving weapons of mass destruction. It also offers flexible programs for missile defense, including civilian and military training that is structured in a way that allows countries to choose the level of their participation. Although it has yet to be widely implemented, the CDI is a *military* response to the *political* complaints long heard from Arabs concerning America's favoritism toward Israel, lack of trust in regional Arab partners, and lack of vision for integrating Gulf policy into a larger regional strategy. A second Pentagon-led multilateral project was a seminar sponsored in spring 2000 to consider issues of regional environmental security and disaster response. In a noteworthy display of interest, all six Gulf states were represented by the chiefs

[31] Hearing of the House International Relations Committee on U.S. Policy toward Iraq, *Federal News Service*, Mar. 23, 2000.

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of staff of their armed forces. Such initiatives are important building blocks for better U.S.-Gulf relations and demonstrate that high-level U.S. involvement can bring about significant progress towards multilateral coordination.

Unfortunately, the State Department has not shown similar interest in regional initiatives. The limitations of the current bilateral approach are well illustrated by a recent example from Bahrain. The State Department worked closely with the government of Bahrain to remove it from a watch list of states whose level of intellectual property rights protection does not meet U.S. standards. Since being removed from the list in 1999, it has enjoyed few benefits because its small economy does not provide investors with sufficient opportunities for profit.[32] Meanwhile, the World Trade Organization (WTO) points to the need for Bahrain to revitalize its sluggish foreign investment and growth.[33] Unless others in the region reform their economies similarly, Bahrain and the United States will have achieved a hollow victory.

Washington's response to the *Cole* attack was emblematic of the flaw inherent in an approach that ignores nonmilitary aspects of cooperation. Although the attack occurred in Yemen, the problem with U.S. policy there is similar to the shortcomings of the U.S. approach to the GCC states. Warships are serving as virtually the only instrument to engage regional partners. To be sure, the Pentagon argued that its de-mining program was also a constructive part of its ties to Yemen. However, no one in Washington was able to point to any parallel social or economic initiatives to build relationships there.[34] In a region already skeptical about the U.S. military presence, forms of engagement that foster a broader array of ties must underpin the role of the military.

Goals of U.S. Policy

Given the host of problems confronting leaders in the Gulf, Washington should have no trouble identifying specific goals for engagement. Moreover, it can be most effective by collaborating with regional and international organizations. The challenges of the emerging customs union among GCC states, educational reform, and volatility in the oil markets are all ripe for constructive American involvement.

High-level commitment to the "producer-consumer oil dialogue" would help address the strains that volatility in the oil market puts on U.S.-Gulf relations. The United States provided little political support to important Gulf partners whose economies were hard hit by the collapse of

[32] Author's interview with a State Department official, Washington, D.C., Apr. 2000. The UAE was also removed from the list (known as USTR 301) in May 2000. Rasha Owais, "U.S. Takes UAE off Piracy Watchlist," *Gulf News*, May 3, 2000.

[33] "WTO Says Bahrain Needs Fast Reform to Boost Growth," Reuters, Oct. 13, 2000.

[34] The president of Yemen did visit the White House, and First Lady Hillary Rodham Clinton had a trip to Yemen canceled because of security concerns. But no sustained political or economic engagement strategy exists.

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energy prices in 1998, and went so far as to charge Saudi Arabia with illegally "dumping" its oil on international markets. When oil prices skyrocketed in 2000, hostile comments and signals from Congress and the Department of Energy significantly undercut carefully constructed U.S.-Gulf relations. The United States has traditionally avoided engaging in the producer-consumer dialogue out of fear of appearing to be intervening in the market. But in November 1998, Secretary Richardson decided that although the United States did not accept the premise that managing the market could help eliminate volatility, the dialogue presented worthwhile opportunities for engagement, improved U.S.-Gulf relations, and face-to-face contact. This dialogue is particularly important because it has the full support of oil producers in the Gulf. As one senior Gulf leader argued, "The U.S. must come to the dialogue. It is the biggest market and it is important that we hear U.S. feedback" on energy issues.[35]

One of the key issues that the dialogue must address is improving the transparency of both supply and demand—with measures that stop short of intervening in the market. Without transparency, social and economic planning will remain difficult in states still heavily reliant on oil income. Oil supply and demand will never be completely predictable, of course, but regularized contacts and better systems to predict supply headed to market and demand would nevertheless help Gulf oil producers—and American consumers—anticipate coming challenges. If such a relationship had existed in the mid-1990s, when the Gulf states were trying to weather economic crises, U.S.-Gulf relations would not have suffered to the extent that they did. As it was, the United States was perceived as completely insensitive to the Gulf's problems.

The United States should also pursue multilateral education and training initiatives. In its efforts to address environmental security issues, the military has already demonstrated that regional forums can be successful, and there is little question that education is a high priority. Leaders in the public and private sector throughout the Gulf have expressed concern about the shortage of skilled workers, and Saudi Arabia's five-year plan calls for ten new technical colleges and seventeen secondary technical institutes. An ongoing forum that brought instructors and policymakers from the United States and around the globe to discuss strategies for dealing with training and the global economy would be well received. High-level U.S. involvement would demonstrate American concern about a problem that has become a national priority for every one of its partners. Oman's Sultan Qaboos has stated that "the days of traditional education are over. The whole world is focusing on technical and vocational education to meet the needs of the day."[36]

[35] Author's interview with Saudi official, Riyadh, Jan. 2000.

[36] Arif Ali, "Qaboos Puts Emphasis on Jobs for Omanis," *Gulf News*, Nov. 8, 2000.

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Washington also needs to continue to address trade issues at the regional level. Its bilateral efforts to attract trade to Bahrain and gain membership for Saudi Arabia in the WTO are worthwhile, but must be supplemented by broader programs.[37] Currently, the U.S.-GCC Economic Dialogue clearly merits U.S. support but has had only equivocal involvement from Washington.[38] The dialogue, which aims to coordinate economic efforts within the GCC, has enjoyed limited success and little support from the State Department, which deemed the exercise unproductive and let it slip from its responsibility to the Department of Commerce. But since economic engagement at the regional level is important for the long-term interests of the Gulf and the United States, such disinterest does not bode well for the future. Multilateral efforts are politically important and must be promoted and improved upon by the Bush administration.

The Risks of Engagement

The risks associated with the policy changes called for here are by no means trivial. One of the primary dangers is that multilateral programs could spark hostility among the Gulf states. Although all of them acknowledge Saudi Arabia's role as leader in the region, most of them fear it. If the United States pushes too hard for initiatives that promote Saudi influence, smaller states might seek a counterbalance by means of improved ties to Iran or Iraq.[39] On the other hand, Saudi Arabia will be unlikely to participate unless it is ensured a dominant role.

Another risk is that a more active U.S. role could cause greater instability and attenuate Washington's political influence, because all socioeconomic change entails power redistribution and is thus inherently prone to conflict. Washington could alienate its friends if it fails to appreciate the local dynamics of the issues or if it is perceived as taking the "wrong" side. In Kuwait, for example, an ongoing battle over the privatization of the upstream oil industry has pitted key members of the royal family against the parliamentary opposition. In essence, the argument concerns the control of oil revenue. Will the royal family rake in most of the benefits of privatization and thus minimize parliamentary control, or will oil wealth be distributed more widely, thus bolstering parliamentary influence? Any perception of U.S. meddling could ultimately undermine Washington's ties to key political actors on one or both sides of the dispute.

[37] For a good discussion of the U.S. need to support Saudi WTO admission, see F. Gregory Gause III, "Saudi Arabia Over a Barrel," *Foreign Affairs*, May/June 2000.

[38] On Oct. 24, 2000, the tenth session of the U.S.-GCC Economic Dialogue was held in Washington, D.C.

[39] Saudi Arabia's dominance has led other Gulf leaders to argue for closer ties between the GCC and Yemen, whose population of 17 million could serve as a counterbalance to Riyadh.

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While these risks are surely considerable, they are outweighed by the benefits of engagement and furthermore can be mitigated by emphasizing multilateralism and collective interests. As the military has shown, the development of regional contacts has made dispute resolution easier and therefore strengthened, not weakened, stability.

The most convincing argument in favor of expanded U.S. involvement, however, is that the Gulf states are all facing similar problems and have acknowledged them. For that reason, the risks to the United States of *not* pursuing engagement are now greater than those posed by involvement. Gulf leaders' willingness to address their difficulties—their own efforts are far ahead of any originating in Washington—provides a perfect opportunity for a larger and broader role that would improve the standing of the United States with leaders and public alike. The United States is well situated to provide assistance to governments whose survival may depend on their ability to cope with socioeconomic difficulties. But if dissatisfied populations can point to the perceived burdens placed on them by the U.S. military but not to any benefits of their governments' partnership, the result could be vigorous domestic opposition and more frequent terrorist attacks that would severely hamper Washington's ability to conduct foreign policy throughout the Middle East.

If the new administration does not believe it has an interest in broadening Gulf policy, it should consider altering its force posture and moving more of its assets from land to sea because the current force posture, in the absence of an accompanying strategy for political engagement, will leave the military increasingly exposed to local threats. A sea-based posture that relies on pre-positioned ships would in fact have many benefits, including increased operational flexibility and a reduced land-based "footprint." But it would also create serious problems and potentially harm long-term American interests. Costs would rise, and U.S. forces would be more vulnerable to mines and to attack at ports that (though perhaps fewer in number) would still be indispensable. Moreover, a reduction in land-based assets could suggest a waning American commitment to its partners at a time when Washington should be seeking to demonstrate the opposite.

The Virtues of Alliance Maintenance

In the Gulf, the tenor of the debate regarding the U.S. military presence has changed markedly over the last two years. When oil prices were low, Washington was blamed for the region's economic problems because it "forced" expensive arms on the region and "demanded" high payments from local governments for stationing American forces in the region.[40] But the

[40] Author's interviews, Mar. 1999 and Jan. 2000.

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recent increase in oil prices brought with it a decrease in hostility toward the presence of American forces. One senior observer noted that the region is "no longer allergic" to the U.S. presence.[41] This shift in perception, and its correspondence to economic conditions, should serve as a warning of things to come if the region's difficulties are not addressed successfully, because, for all the care the military has devoted to improving its regional profile, its efforts could be undermined for reasons unrelated to military planning.

Relying on the military to secure all U.S. interests in the Gulf is neither sufficient nor desirable. Instead, the new administration should return to the idea of alliance maintenance, a broad concept that was vitally important during the Cold War but has surprisingly little currency today. Crucial to that more balanced approach are nonmilitary efforts that coordinate such activities as technical training, energy projects, and economic reforms. Moreover, the Bush administration should act quickly, because support for U.S. policy has been strained by anger over the Israeli-Palestinian crisis. But at the same time, the negative socioeconomic trends threatening the Gulf states have forced their governments to pursue their own reforms, thereby widening—for the time being—the opportunities for a constructive U.S. role.

Leaders in Washington have been, and will no doubt continue to be, preoccupied with the Palestinian-Israeli conflict, Iraq, and Iran. It is time that U.S. priorities reflect the reality that a flexible strategy throughout the Middle East presupposes support in the Gulf, which cannot and must not be taken for granted.

[41] Author's interview with Emirati political observer, Abu Dhabi, Jan. 2000.

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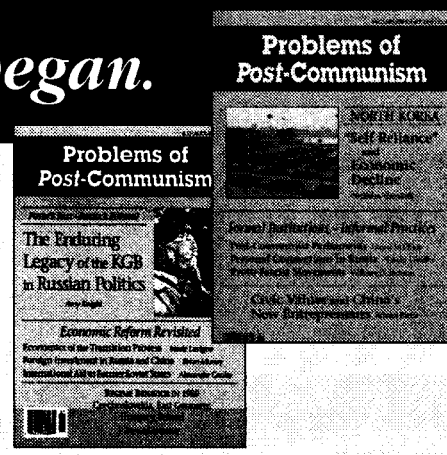
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Chinese Energy and Asian Security

by Felix K. Chang

In early March 1997, a Chinese oil rig, the *Kantan III*, entered the waters between Hainan Island and the Vietnamese coast to explore for oil and natural gas in what Beijing considered a part of its Ledong exploration area. Vietnam, claiming the same area as part of its Block 113, protested vigorously. After some inconclusive talks between the two countries, the oil rig withdrew. About a year later, Vietnam again complained when a Chinese exploration ship and two armed fishing boats sailed near the Spratly Islands. These vessels also withdrew without incident.[1]

Some have asserted that events such as these "have shown a consistent motivation: a growing desperation by Beijing to control the potentially lucrative [energy] resources of the region"—suggesting that China might forcibly appropriate energy resources in the future. To be sure, previous disputes in the Paracel and Spratly Islands in 1974 and 1988 produced brief armed clashes. But if the seizure of energy resources were a high priority, then it is somewhat surprising that China failed to take greater action during the Asian financial crisis in late 1997 and 1998, considering its relative military strength and Southeast Asia's economic and political disarray at the time. Instead, Beijing helped to stabilize Southeast Asian economies by refusing to allow a devaluation of its currency. Two years later, it proposed closer

[1] "Oil-Prospective Spratlys Still a Flashpoint," *Oil and Gas Journal*, Oct. 25, 1999, pp. 35–37; "'Intrusion' Ships Have Left Spratly Isles, Says Vietnam," Reuters, May 23, 1998; Mure Dickie, "China Says Accelerating Border Talks with Vietnam," Reuters, July 15, 1997; Scott Hillis, "China's Jiang Meets Vietnam's Do Muoi in Beijing," Reuters, July 14, 1997; Jane Macartney, "China, Vietnam Wrap Up Talks, No Results Announced," Reuters, Apr. 11, 1997; Michael Vatikiotis et al., "Drawn to the Fray," *Far Eastern Economic Review*, Apr. 3, 1997, pp. 14–16; and "A Rig Too Near," *Economist*, Mar. 29, 1997.

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economic ties and a free-trade pact with Southeast Asia rather than capitalize on the continued troubles of some countries in the region.[2]

While access to adequate and reliable energy resources remains vital to China's economic growth strategy, it is unclear whether the seizure of those resources is in China's plans so long as other means of acquiring them are available. Economic growth is unquestionably important to Beijing's leaders and the legitimacy of their rule, in light of the decline of communism as a unifying ideology. Since energy is so important to sustained economic growth, it is not surprising that energy self-sufficiency has long been a concern for Beijing. Still, future increases in Chinese energy consumption are certain if China is to meet the lofty goals of industrial modernization and economic expansion at a 7 percent annual growth rate outlined by Jiang Zemin in the Tenth Five-Year Plan. China will have to find new energy resources as well as undertake energy-efficiency measures, conservation, and especially energy price reform.[3]

The Shift from Coal to Oil and Natural Gas

In its search for energy self-sufficiency, China has long relied on coal and, with 11.2 percent of the world's reserves, could continue to do so well into the future. In addition, coal has in the past satisfied another pressing Chinese need in that mining, a highly labor intensive enterprise, directly employed over 14 million people by the late 1980s. Given its poor coal transportation infrastructure and growing demand for energy, Beijing even encouraged local townships and individuals to open small coal mines so that local areas could meet their own energy needs. Eventually, some 80,000 such

[2] Quotation from Michael Studeman, "Calculating China's Advances in the South China Sea: Identifying the Triggers of 'Expansionism,'" *Naval War College Review*, Spring 1998, pp. 68–90. See also "The Best Things in Life," *Economist*, Nov. 30, 2000; Seth Faison, "Even As Asians Worry, China Is Unlikely to Devalue," *New York Times*, Aug. 11, 1998; "China's Currency: About to Crack?" *Economist*, Sept. 26, 1998; Peter Passell, "Devalue the Yuan? China Doesn't Seem About to Do That," *New York Times*, Feb. 26, 1998; "East Asia's Whits the Middle Kingdom," *Economist*, Feb. 14, 1998; "China Tries to Assuage SE Asia's Worries," Reuters, Dec. 16, 1997; Mamdouh G. Salameh, "China, Oil and the Risk of Regional Conflict," *Survival*, Winter 1995–1996, pp. 133–46; Philip Shenon, "China Sends Warships to Vietnam Oil Site," *New York Times*, July 21, 1994; John W. Garver, "China's Push through the South China Sea: The Interaction of Bureaucratic and National Interests," *China Quarterly*, Dec. 1992, pp. 999–1028; Kim Woodward, *The International Energy Relations of China* (Stanford, Calif.: Stanford University Press, 1980), pp. 1–35; and Selig S. Harrison, *China, Oil, and Asia: Conflict Ahead?* (New York: Columbia University Press, 1977), pp. 10–56, 189–212.

[3] Otherwise, China could again experience energy shortages such as those of the 1980s, which were estimated to have cost the Chinese economy as much as 10 percent of its total industrial output at the time. Owen Brown, "China's 5-Yr Plan Sets Big Goals for Reform, Economy," *Dow Jones Newswires*, Oct. 31, 2000; Ni Weidou and Nien Dak Sze, "Energy Supply and Development in China," in *Energizing China: Reconciling Environmental Protection and Economic Growth*, ed. Michael B. McElroy, Chris P. Nielsen, and Peter Lydon (Cambridge, Mass.: Harvard University Press, 1998), pp. 67–118; and Jonathan E. Sinton, David G. Fridley, and James Dorian, "China's Energy Future: The Role of Energy in Sustaining Growth," in *China's Economic Future: Challenges to U.S. Policy*, ed. Joint Economic Committee, Congress of the United States (Washington, D.C.: U.S. Government Printing Office, 1996), pp. 260–61.

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mines provided roughly one-third of China's total coal output. But these small mines were highly inefficient, and as much as 50 percent of the recoverable coal was often wasted. Moreover, the coal they produced had high ash and sulfur content because most of these mines lacked coal-washing equipment. To improve operations, many mines were privatized and a number of large-scale mines were created in northern provinces, where two-thirds of China's coal is located. Beijing even invited foreign companies to invest, as Occidental did in the An Tai Bao Mine, one of the world's largest open-pit coal mines.[4]

Meanwhile, China also explored for oil. In 1960, 40,000 workers were dispatched to Daqing to develop the oil resources in what became known as the "Daqing Spirit." Eventually, the fields there came to generate about one-third of the country's petroleum output. At Daqing and elsewhere, China rapidly developed its domestic oil industry in pursuit of self-sufficiency. But by 1993, Chinese consumption had exceeded its domestic production and the country became a net importer of oil. During the 1990s, Chinese oil production grew by 1.6 percent annually, but demand grew by 6.7 percent annually (see Figure 1). Looking ahead, the International Energy Agency anticipates that China's long-term level of oil imports might outstrip Beijing's estimates by a factor of three. Some Chinese academics, however, have blamed this situation "not on a lack of reserves, but a lack of competition within the oil industry, which resulted in little incentive for progress. Petrol prices have remained controlled, making waste almost endemic."[5]

By the early 1990s, the use of oil and coal for power generation and in residential settings had raised serious environmental concerns, especially in urban areas where air pollution reached high levels. At the same time, Beijing tried to restructure the coal industry and adjust prices that were, in

[4] International Energy Agency, *Coal in the Energy Supply of China* (Paris: Organization for Economic Cooperation and Development, 1999), pp. 13–82; Richard P. Melnick and Professor W. Carl Kester, "The An Tai Bao Coal Mining Project," Harvard Business School case, Dec. 6, 1991, pp. 1–8; and Armand Hammer and Neil Lyndon, *Hammer* (New York: G.P. Putnam's Sons, 1987), p. 460.

[5] Quotation from Lorien Holland, "The New Hot Fuel in China," *Far Eastern Economic Review*, Sept. 14, 2000, p. 16. The International Energy Agency estimates that China will import 200 million tons of oil in 2010 and 400 million tons in 2020. International Energy Agency, *China's Worldwide Quest for Energy Security* (Paris: Organization for Economic Cooperation and Development, 2000), pp. 1–85. "China Explosion Kills at Least 13," Associated Press, Nov. 7, 2000; Andreas Evagora, "China Oil Imports Forecast to Rise," Associated Press, Mar. 20, 2000; "China Oil Price Reforms a Major Step in Deregulating Its Petroleum Sector," *Oil and Gas Journal*, Aug. 10, 1998; Mun S. Ho, Dale W. Jorgenson, Dwight H. Perkins, "China's Economic Growth and Carbon Emissions," in *Energizing China*, pp. 241–66; Patrick Baert, "China Will Need More Oil Imports," Agence France-Presse, Oct. 13, 1997; Haijiang Henry Wang, "China's Deregulation, Expansion Not Enough to Restore Market Balance," *Oil and Gas Journal*, Sept. 29, 1997, pp. 33–39; Chang Weimin, "Oil Price Controls to Be Lifted Gradually," *China Daily*, Aug. 25, 1993; Seiichi Nakajima, "Price Reforms in China," *JETRO China Newsletter*, no. 102, Jan./Feb. 1993; "Energy Shortage Hinders Economy," *Beijing Review*, Jan. 4–10, 1993; Sandy Hendrym, "Policy Reform When It Suits," *Far Eastern Economic Review*, Oct. 29, 1992; Qu Geping, "China's Dual Thrust Energy Strategy: Economic Development and Environmental Protection," *Energy Policy*, June 1992; Larry Chuen-ho Chow, "The Changing Role of Oil in Chinese Exports, 1974–89," *China Quarterly*, Sept. 1992, pp. 750–65; and Wu Zongxin and Wei Zhihong, "Policies to Promote Energy Conservation in China," *Energy Policy*, Dec. 1991.

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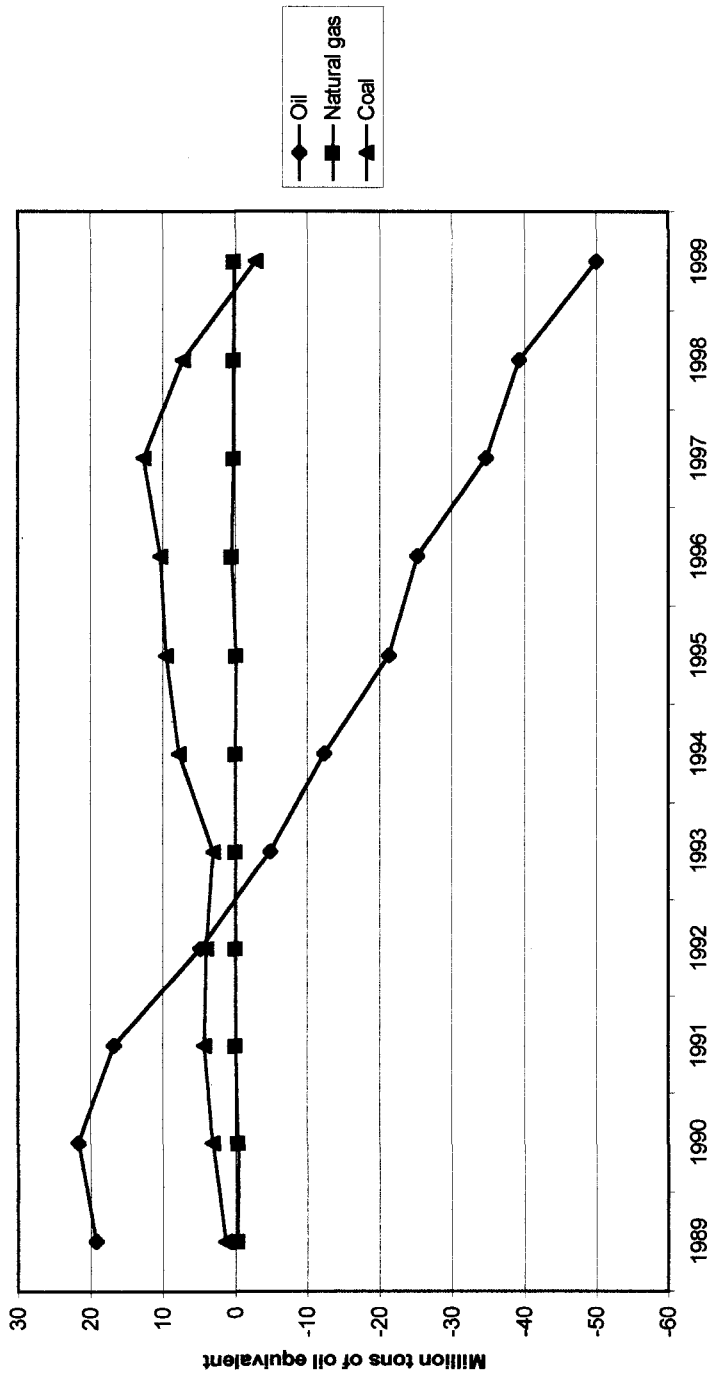

Sources: BP Amoco, *Statistical Review of World Energy*, Jun. 2000; National Bureau of Statistics, *China Statistical Yearbook 1999* (Beijing: China Statistics Press, 1999), p. 247.

Figure 1. Chinese Net Energy Flows

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1989, artificially held at a level 75 percent below international prices and 31 percent below the cost of production. In January 1994, coal prices were gradually allowed to float, and many unprofitable mines were shut. In 1998, 420,000 miners were laid off. The following year, 31,000 mines were closed, and another 18,000 mines were closed in 2000, many of which had been run by townships and village enterprises.[6]

Fortunately for China, large natural gas deposits had been discovered in the country, and in the mid-1990s, Beijing began to switch its energy emphasis from coal to natural gas production. Natural gas, however, was not immediately embraced as an energy source. Initially more concerned with feeding its population than generating electricity, Beijing used a large portion of its natural gas to manufacture fertilizer. In Sichuan province, China's first and largest natural gas production area, over 45 percent of the gas was designated for that use. But by the late 1990s, China had eased its regulations governing the use of natural gas for fertilizer in response to the country's growing energy needs and lobbying from foreign oil companies. However, other impediments remain to the use of natural gas for energy. In addition to the lack of an adequate distribution network, especially in urban areas, foreign companies were banned from investing in most gas-fired power plants and residential pipelines until early 2000. Without the necessary capital, Chinese conversion to natural gas has been slow, despite the low natural gas prices set by Beijing. Only a few cities, such as Chongqing, have begun to switch their industrial and power-generating facilities from coal to gas.[7]

Among the most significant signals of Beijing's commitment to natural gas was its decision to import liquefied natural gas (LNG), a highly expensive

[6] When China's coal industry restructured in 1997, 14 state-owned companies merged into four major firms: the China Coal Industry Import and Export Group; the China Coal Comprehensive Utility Group; the China Coal Construction and Development Group; and China Coal Materials and Equipment Group. Township and village enterprise coal mines are dangerous workplaces. Since they do not invest in the safety equipment that their larger counterparts do, their accident rates are 50 times higher than those at state-owned firms. In 2000, more than 5,000 miners were killed in accidents. "Running Out of Steam," *Economist*, Nov. 23, 2000; "Power Clash," *Economist*, May 13, 2000; *Country Report: China and Mongolia, 1st Quarter 2000* (London: Economist Intelligence Unit [EIU], 2000), p. 26; *Country Report: China and Mongolia, 4th Quarter 1998* (London: EIU, 1998), pp. 21–22; *Country Report: China and Mongolia, 1st Quarter 1997* (London: EIU, 1997), p. 36; Carl Goldstein, "Into the Black," *Far Eastern Economic Review*, Apr. 1, 1993; Tatsu Kambara, "The Energy Situation in China," *China Quarterly*, Sept. 1992, pp. 608–36; and Randolf Granzer, "The Energy Impediment to China's Growth," *OECD Observer*, Apr.–May 1989.

[7] John McBeth, "Fuel of the Future," *Far Eastern Economic Review*, Sept. 14, 2000, pp. 14–15; Holland, "The New Hot Fuel in China"; David A. Pietz, "China's Natural Gas Sector Generating Great Expectations," *Oil and Gas Journal*, June 5, 2000, p. 60; Xu Yihe, "China Chongqing to Shift from Coal to Gas for Furnaces," *Dow Jones Newswires*, Apr. 4, 2000; *Country Report: China and Mongolia, 2nd Quarter 1999* (London: EIU, 1999), p. 31; Ian Johnson, "For Chinese, Natural Gas Is Growing in Importance," *Wall Street Journal*, Aug. 26, 1998; Keun-Wook Paik and Quan Lan, "China Preps to Expand Gas Output and Distribution Amid Challenges," *Oil and Gas Journal*, July 20, 1998, pp. 27–32; David Blumental and Gray Sasser, "Fuel for the Next Century," *China Business Review*, July–Aug. 1998, pp. 34–38; "China's Gas Production Will Not Meet Demand by 2020," Agence France-Presse, Oct. 14, 1997; and Li Peng, "China's Policy on Energy Resources," *Xinhua*, May 26, 1997; U.S. Embassy cable, Beijing 044975, Nov. 29, 1996.

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process requiring liquefaction facilities in both the receiving and transmitting countries. The first LNG import project, approved in early 2000, is expected to require an investment of $500 million for a terminal in Shenzhen and a 400-kilometer pipeline through Guangdong province. Possible LNG producers include Australia, Indonesia, Malaysia, and Qatar. Though less likely, there has also been speculation that a second terminal might be built near Shanghai. Nonetheless, "[t]he decision to go ahead with LNG is a major step forward in reducing dependence on coal, which still accounts for over 70% of energy output and is highly polluting." While natural gas constituted only 2.8 percent of China's energy consumption in 1999, it is anticipated to grow to about 8 percent in 2010.[8]

But to gain access to these and other new energy resources, China need not use force. Rather, Beijing has already embarked on a number of promising projects to encourage foreign investment in Chinese oil and natural gas fields, create Chinese oil companies that can compete on an international scale, and increase Chinese direct investment in energy resources abroad.

Foreign Investment in Chinese Energy

By the early 1980s, Beijing understood that it lacked the necessary capital to develop its offshore energy resources. At the time, it also lacked the equipment and technical skills to drill in even moderately deep waters. Consequently, China permitted foreign oil companies to acquire and develop offshore blocks in order to unlock new energy deposits and gain access to better technology and skills. Initial Chinese interest in offshore exploration began in the 1960s after the discovery of the Daqing fields along the coast of the Bohai Gulf and the Shengli fields near the mouth of the Yellow River. However, China's attention was not focused on its undersea potential until the late 1970s, when "onshore production was peaking, world oil prices were rising and China's own limited effort at offshore exploration was meeting with little success."[9]

China's first round of offshore licensing occurred in 1982. Five such rounds were held by October 1998 and a sixth one had been planned. But the China National Offshore Oil Corporation (CNOOC), which administers the offshore blocks, has generally licensed acreage through bilateral negotiation, granting an average of six licenses per year during the 1990s. Like most production-sharing contracts with foreign oil companies, those crafted by CNOOC included terms that allowed it to acquire an interest in exploration

[8] Quotation from *Country Report: China and Mongolia, 1st Quarter 2000*, p. 30. See also Xu Yihe, "Status of East China LNG Projects Uncertain—Official," *Dow Jones Newswires*, Mar. 27, 2000; and Jeffery Logan and William Chandler, "Natural Gas Gains Momentum," *China Business Review*, July–Aug. 1998, pp. 40–44.

[9] Wood Mackenzie Consultants Limited, *China* ([Edinburgh, U.K.: Wood Mackenzie] May 1999), p. 4.

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fields if enough oil or natural gas were discovered to make development viable (see Tables 1 and 2).

Among the most successful early exploration projects was Yacheng, about ninety kilometers south of Hainan Island. There, after four years of negotiation, ARCO was awarded Block 50/35 in September 1982. Four months later, ARCO drilled the first of seven exploration wells on the Yacheng 13-1 geological structure and found a large natural gas deposit. While exploration continued for ten more years, the nearby structures revealed no further significant discoveries. In June 1994, development drilling began and Yacheng 13-1 produced a steady flow of 330 million cubic feet of natural gas per day—50 million of which was transported to Hainan through a 90-kilometer, 14-inch undersea pipeline. The rest was pumped through a 480-kilometer, 28-inch pipeline, completed in 1997, to the Black Point Power Station in Hong Kong. Considering the pipeline's total capacity of 700 million cubic feet per day, a subsequent arrangement was made in 1999 for Yacheng 13-1 to provide natural gas to a new power plant in Shenzhen, which would be jointly built by Exxon and China Power and Light.[10]

Exploration continues around Yacheng. In October 1997, ARCO and CNOOC agreed jointly to study the potential development of the Ledong gas field. "The Yacheng 13-1 pipeline infrastructure will play a critical role in determining the commerciality of the Ledong gas fields," commented one ARCO executive. "If development proceeds, the project will enable CNOOC and ARCO to build additional value in the South China Sea and supply cleaner-burning natural gas for the energy growth needs of southern China." Learning of the Ledong project, Vietnam objected to the exploration because part of the field encroached on its territorial waters. Undeterred, a year later, the two companies signed a second agreement to study the Wencheng area, west of Hainan.[11]

Another area of intense foreign activity has been the Pearl River Basin, where three exploration areas (Xijiang, Huizhou, and Liuhua) lie close together. In the Xijiang area, Phillips Petroleum was awarded contracts for Blocks 15/11 and 15/22 in the first and second offshore licensing rounds, respectively. In 1991, Agip and Texaco farmed into the 15/22 block, and six years later four oil rigs were installed and wells drilled to produce about 104,000 barrels of oil per day, a figure that had fallen to 62,000 barrels by late 2000. Royal Dutch/Shell also made a discovery on an adjacent acreage. In December 1983, Huizhou was awarded to a consortium called the ACT

[10] China Power and Light and Exxon are the two shareholders of Castle Peak Power Company, which owns Black Point Power Station. Ibid., pp. 199–210; and "ARCO, Chinese Leaders Celebrate Startup of China's Largest Offshore Natural Gas Project," BP Amoco press release, Jan. 10, 1996.

[11] Quotation from "ARCO, CNOOC Expand Cooperation Agreement for Development of Gas Fields in South China Seas," BP Amoco press release, June 9, 1998. See also "China Rejects Vietnam's Protests in Maritime Dispute," Agence France-Presse, Nov. 24, 1997; and "ARCO, CNOOC Sign Cooperation Agreement for Development of Ledong Gas Fields in South China Sea," BP Amoco press release, Oct. 20, 1997.

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Table 1 Chinese Oil Production (thousands of barrels per day)

Basin or Field	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Onshore										
Anhui	—	—	0.8	0.9	1.0	1.6	1.8	1.6	1.8	1.5
Henan	48.3	43.2	42.9	41.3	38.6	38.0	37.3	37.2	33.0	25.0
Jianghan	14.6	15.2	16.3	17.5	17.1	17.4	16.5	15.1	12.7	11.3
Jiuquan	10.5	10.0	9.1	8.7	8.7	8.7	8.1	8.0	8.1	7.8
Junggar	140.0	146.0	153.0	159.1	159.1	167.2	175.2	174.2	177.0	182.0
North China Basin										
Dagang	76.0	78.0	81.6	85.6	86.6	87.4	87.6	86.0	85.5	85.0
Huabei	98.6	94.7	92.6	93.4	93.8	94.1	94.3	94.6	94.0	90.0
Jidong	6.8	7.8	8.7	9.3	10.3	11.5	12.3	12.8	11.0	9.0
Liaohe	270.2	267.9	285.9	302.5	312.6	302.9	302.8	290.4	301.1	299.0
Shengli	652.6	650.9	658.4	622.2	604.1	586.3	564.1	564.2	535.0	520.0
Zhongyuan	127.0	121.0	110.7	97.3	82.6	80.6	80.9	80.0	76.0	72.0
Ordos Basin										
Changqing	36.7	43.7	36.2	39.5	44.3	55.4	66.5	80.0	85.0	90.0
Yanchang	—	—	11.5	12.7	14.8	17.7	21.6	32.5	35.0	34.0
Qaidam	17.2	21.0	21.7	22.8	24.5	28.2	32.3	35.2	38.0	44.0
Sichuan	2.7	2.9	3.1	3.2	3.4	4.3	4.7	4.4	4.3	4.1
Songliao Basin										
Daqing	1113.0	1113.0	1125.7	1127.8	1127.8	1127.8	1127.9	1114.1	1090.0	1060.0
Jilin	69.0	69.0	67.5	66.5	68.5	74.5	80.6	79.4	67.0	58.0
Subei	17.9	18.1	17.3	18.5	20.4	21.6	23.6	25.2	24.0	23.0
Tarim	12.0	19.0	32.2	39.3	51.0	62.5	84.6	77.0	85.0	90.0
Turpan-Hami	—	—	23.2	28.5	44.5	58.8	60.4	59.0	65.0	70.0
Others	15.6	15.6	15.6	15.3	14.3	15.0	13.4	18.2	20.0	20.0
Offshore										
428W	0.8	0.7	0.7	0.6	0.5	0.4	0.3	0.2	—	—
Boxi	—	—	—	—	—	—	4.2	12.5	11.6	10.2
Bozhong	13.0	11.3	10.2	9.2	6.2	4.5	4.8	6.5	6.5	6.5
Caofedian	—	—	—	—	0.4	5.5	4.7	3.9	3.2	2.4
Chengbei	7.4	7.8	7.2	6.8	6.0	5.8	5.7	5.0	4.2	3.4
Huizhou	24.0	57.0	57.0	58.0	64.0	95.0	94.0	83.0	89.0	82.0
Jinzhou	—	0.3	1.8	1.8	3.2	2.4	2.3	1.8	4.5	16.5
Liuhua	—	—	—	—	—	45.6	43.9	28.0	24.0	19.0
Lufeng	—	—	2.3	16.4	13.4	18.7	15.5	50.7	32.9	18.2
Pinghu	—	—	—	—	—	—	—	2.0	2.0	3.0
Suizhong	—	—	2.2	12.8	20.7	27.2	28.9	40.0	32.0	50.0
Weizhou	3.0	3.0	12.3	23.4	20.1	20.2	23.3	17.3	20.6	35.4
Xijiang	—	—	0.0	1.0	39.0	87.0	105.0	83.0	70.0	62.0
Yacheng	—	—	—	—	—	0.5	1.1	1.3	2.0	2.0

Note: The 2000 statistics were annualized from the information for the first six months of the year.
Sources: BP Amoco, *Statistical Review of World Energy*, June 2000; Wood Mackenzie, *China*, May 1999, pp. 16–17.

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Table 2 Chinese Natural Gas Production (millions of cubic feet per day)

Basin or Field	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Onshore										
Henan	4.0	4.0	3.9	3.8	3.5	3.2	3.1	2.9	2.5	2.0
Jianghan	7.0	8.0	8.0	7.5	7.4	6.9	6.4	7.9	8.0	7.5
Jiuquan	6.0	3.0	1.3	1.2	1.2	1.1	1.1	1.1	1.0	0.9
Junggar	65.3	81.3	81.6	80.3	85.4	101.7	120.4	129.5	135.0	140.0
North China Basin										
Dagang	35.0	36.0	34.0	39.0	37.0	37.0	38.0	34.0	35.0	35.0
Huabei	29.0	28.0	26.0	29.0	30.0	33.0	32.0	30.0	31.0	29.0
Jidong	2.0	2.0	2.0	2.0	2.0	2.0	3.0	2.0	2.0	2.0
Liaohe	171.0	171.0	170.0	170.0	170.0	154.0	150.0	116.0	150.0	200.0
Shengli	139.0	140.0	133.0	127.0	124.0	115.0	97.0	89.0	85.0	77.0
Zhongyuan	123.0	118.0	111.0	116.0	107.0	107.0	112.0	115.0	110.0	110.0
Ordos	5.0	5.0	5.3	7.5	9.7	10.0	16.0	44.5	75.0	110.0
Qaidam	7.0	5.0	4.4	6.5	6.2	12.3	21.3	25.9	37.0	47.0
Sichuan	608.0	620.0	652.0	684.0	690.0	714.0	726.0	728.0	755.0	775.0
Songliao Basin										
Daqing	220.0	221.0	215.5	224.5	221.5	224.6	226.4	225.4	220.0	220.0
Jilin	13.0	16.0	19.8	18.0	17.7	19.8	22.3	20.5	17.0	14.0
Subei	4.0	3.0	2.6	2.2	1.8	1.5	1.2	1.6	1.5	1.2
Tarim	2.0	2.0	2.0	7.0	14.0	13.0	18.0	25.0	50.0	135.0
Turpan-Hami	—	—	9.0	7.4	11.8	22.2	58.2	63.8	65.0	65.0
Others	—	4.0	10.8	15.6	17.4	11.7	9.4	8.4	8.0	9.0
Offshore										
Boxi	—	—	—	—	—	—	6.0	10.0	10.0	10.0
Jinzhou	—	25.0	28.0	37.0	36.0	36.0	37.0	48.0	48.0	48.0
Pinghu	—	—	—	—	—	—	—	—	28.0	42.0
Yacheng	—	—	—	—	—	206.0	334.0	317.0	330.0	330.0

Note: The 2000 statistics were annualized from the information for the first six months of the year.
Sources: BP Amoco, *Statistical Review of World Energy*, June 2000; Wood Mackenzie, *China*, May 1999, pp. 21–22.

Operators Group, which included Agip, Chevron, and Texaco. About 160 kilometers southeast of Hong Kong, the block yielded its first significant discovery two years later. Altogether, the wells on the block were estimated to have peaked around 95,000 barrels per day in 1996 and have since declined to 82,000. Meanwhile, Amoco licensed much of the Linhua area in November 1985, and in January 1994, Kerr McGee acquired half of Amoco's interest. The first well was spudded in late 1986, and by the time full-scale development began in October 1994, twelve wells had been drilled. Two years later, the field produced 45,600 barrels per day, but now only 19,000.[12]

By the 1990s, foreign interest in Chinese offshore blocks had largely shifted to the Bohai Gulf, where the Boxi, Bozhong, Caofedian, Chengbei, Jinzhou, and Suizhong exploration areas are located. Because Beijing care-

[12] Wood Mackenzie, *China*, pp. 87–100, 115–26, 185–98.

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fully guarded these potentially prolific areas during much of the preceding decade, CNOOC dominates most oil and natural gas production there through its subsidiary, Bohai Oil Corporation. The only significant foreign production stake was in Bozhong, where a consortium of several Japanese firms led by Japan National Oil Corporation signed a production-sharing contract in May 1980. Development began nine years later and the field produced a meager 4,000 barrels of oil per day, peaking in 1991 at 13,000.[13]

Despite joint interests in many blocks in the Bohai Gulf, few large foreign oil companies have found economically viable energy deposits. Among those that have is Phillips Petroleum, which found a sizable deposit in the Penglai 19-3 geological structure on its 11/05 block in June 1999. The deposit was estimated to hold 60 million cubic meters of recoverable oil in November 1999. In general, although only small oil companies have been able to commercialize their discoveries, foreign interest has not abated. Agip, Chevron, ExxonMobil, and others continue to pressure Beijing to open additional acreage. In September 1998, ARCO and Texaco concluded a production-sharing contract with CNOOC to develop the shallow-water Qinhuangdao 32-6 field. Explored by CNOOC in 1995, the field is expected to produce at a sustainable rate of 60,000 barrels per day by 2002.[14]

Foreign interest in exploration and production in China has not been limited to offshore fields, but Chinese officials generally denied foreign oil companies access to onshore acreage until 1986, when the China National Petroleum Corporation (CNPC) auctioned several blocks in China's eleven southern provinces. Unfortunately, the blocks held such poor prospects that few companies chose to bid. However, by early 1993, Beijing had become increasingly concerned that China's energy demand was outstripping its supply. As a result, the Chinese government allowed foreign companies to attempt to revive declining onshore fields with their enhanced oil recovery techniques and search for new reserves. Western firms quickly rose to the challenge, and at least sixty-eight companies bid in the first onshore licensing round. Since 1986, thirty-seven onshore production-sharing contracts worth over $1 billion have been signed.

Meanwhile, in Xinjiang's Tarim Basin, CNPC's exploration efforts had begun to pay off, particularly along the basin's northern rim. In October 1984, a discovery well found good oil flows in the Yakela field. In September 1987, another located oil and natural gas under the Lunnan field, about 100 kilometers west of Korla. In 1994, a larger oil and natural gas discovery was made in the Yaha field. But it was the October 1989 discovery of the Tazhong field, some 400 kilometers south of Korla, that really spurred hopes of vast energy reserves in China's far west. While some in Beijing considered imme-

[13] Ibid., pp. 57–66.

[14] "China's Biggest Offshore Oilfield Discovered," *Asia Pulse*, Nov. 3, 1999; and "ARCO/Texaco Sign Contract with CNOOC to Develop China's Second Largest Offshore Oil Field," BP Amoco press release, Sept. 18, 1998.

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diately opening the basin to foreign exploration, CNPC convinced Beijing to delay its plans. Soon after, CNPC dispatched 100,000 workers to Xinjiang to "fight the Big Battle for oil in Tarim." The discovery well had been drilled to a depth of 6,000 meters and yielded a flow of 3,620 barrels of oil and 12 million cubic feet of natural gas per day. By March 1997, thirty-five wells had been spudded. Speculation abounded that the basin could hold 300 million tons of oil, but by the late 1990s, even the most optimistic Chinese numbers had been revised downward, some to as low as 30 million tons. In any case, exploration in the Taklimakan Desert proved too expensive for CNPC to bear by itself. Gathering seismic data alone cost ten times what it would on conventional terrain. Moreover, the great depths of the oil and natural gas deposits meant that each exploration well would cost as much as $20 million.[15]

CNPC conceded that foreign oil companies would be useful to supplement Chinese exploration, but limited foreign participation to the unexplored blocks on the basin's southern and western rims. Nonetheless, many foreign companies remained optimistic because, even if new energy reserves were not discovered, an early entry into the region could provide the technical information and business relationships needed to acquire more attractive blocks later.[16]

Foreign companies accepted meager opportunities in hopes of future benefits.

During the first onshore licensing round, the Tarim Basin hosted a number of foreign oil companies. In February 1994, a consortium that included Agip, Elf Aquitaine, Japan Energy, Japex, and Texaco signed the first production-sharing contract for Block 1. But after drilling its first wildcat well as deep as 4,900 meters, it declared the hole dry and plugged it. CNPC leased Block 4 to BP Amoco, which, after performing some minor seismic tests, relinquished it in 1996. An Exxon-led joint venture secured the license to Block 3, but after meeting its commitment to drill two wells and perform some seismic work, relinquished it in 1998.[17]

In its third onshore licensing round, CNPC awarded Agip and Texaco the T6 and T7 blocks in February and August 1996, respectively. Exxon obtained the licenses to Blocks T12 and T13 near Aksu in March of that year. A year later, a consortium of four Japanese firms signed a production-sharing contract with CNPC for the Misalieyi block, which marked the first time

[15] Quotation from James McGregor, "China Opens Last Frontier to Foreign Oil Companies," *Wall Street Journal*, Feb. 22, 1993. See also Wood Mackenzie, *China*, pp. 325–37.

[16] Foreign oil companies also had trouble obtaining geophysical data from earlier Chinese seismic surveys and exploratory drilling, and paid as much as $1.6 million for the data that could be found. Ahmed Rashid and Trish Saywell, "Beijing Gusher," *Far Eastern Economic Review*, Feb. 26, 1998, pp. 46–48; and Marcus W. Brauchli, "China's Growing Thirst for Oil Clears the Way for Foreign Firms, but Spurs New Headaches," *Asian Wall Street Journal*, Sept. 20, 1993.

[17] Wood Mackenzie, *China*, pp. 325–37.

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foreign oil companies had been permitted to develop acreage near the Tazhong field in the middle of the Tarim Basin. Unfortunately for these investors, little headway has been made in exploration on any of their licensed blocks.[18]

At the same time, Chinese oil companies exploring on more attractive geological structures have discovered some new reserves, though still not as large as originally hoped. In March 2000, China National Star Petroleum Corporation (CNSPC) reported that it had located some 140 million tons of oil reserves on the Tahe field along the basin's northern rim and hoped that more exploration would find an additional 360 million tons over the next three years.[19]

For any discovery in the Tarim Basin to be viable, however, the oil and natural gas would have to be transported to distant markets. At first, the oil from Tazhong was trucked to the railhead at Korla and then shipped by railroad to Urumqi and the rest of China. This expensive process was limited to 65,000 barrels of oil per day by the maximum capacity of the railroad connecting Korla and Urumqi. A 24-inch pipeline was laid between Korla and Shanshan that increased the throughput to 100,000 barrels per day. In July 1996, a 305-kilometer pipeline began transporting some 63,000 barrels per day from Tazhong to the Lunnan field, where more oil was added, and the combined total was then piped to Korla. A separate 192-kilometer, 18-inch gas pipeline came online in 1998 and carries about 245 million cubic feet of natural gas per day from Lunnan to a petrochemical plant in Korla.[20]

Even with the Korla-Shanshan pipeline, however, the oil still must be loaded onto railcars for its final journey to refineries and distribution points in eastern China. As early as 1993, CNPC hoped to build a 4,200-kilometer gas pipeline across China, linking the Tarim Basin to Shanghai, as part of China's new emphasis on that cleaner-burning fuel. As envisioned by Beijing in early 2000, the first segment of the pipeline would extend 1,500 kilometers from Shanghai to the Changqing gas fields in Shaanxi province. The second and more ambitious part would connect the first segment with a 2,700-kilometer pipeline from the Tarim Basin. But for such a long pipeline to be economically viable, it would have to carry a substantial amount of natural gas, which would require not only a large supply but also a large demand.[21]

Initially, CNPC chairman Wang Tao boasted that China could pay for the whole pipeline itself—with the qualification that "of course, if there's a possibility, we also hope we can use foreign capital." But by the late 1990s, Chinese attempts to attract foreign investment for the pipeline had become

[18] The Japanese companies were Japan Energy, Japex, Sumitomo, and Inpex. Ibid.

[19] Xu Yihe, "China CNSPC Proves 140MMT Crude Reserve at Tarim Prospect," *Dow Jones Newswires*, Mar. 22, 2000.

[20] "China Launches Massive Gas Pipeline Campaign," *Oil and Gas Journal*, June 5, 2000, pp. 63–66.

[21] The estimated cost for China's 4,200-km pipeline varies between $8 billion and $14 billion. Ibid.; and Brauchli, "China's Growing Thirst for Oil."

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more intense, and in March 2000 Beijing allowed foreign investors to take a 100 percent interest in the pipeline. Yet foreigners have shied away from the expensive project out of fears that "estimates of future natural gas demand in the Shanghai area are overly optimistic," especially in light of competition from the Pinghu offshore field and possible LNG projects.[22]

Confusion and conflicts among Shanghai's various utilities, agencies, and financial institutions have indeed limited the demand for the pipeline's natural gas. A State Development Planning Commission official even admitted that "the status of the downstream projects is unclear." As a result, while initial construction on the pipeline is slated to be complete by 2003, the proposed annual throughput for the pipeline has been reduced from 12 billion cubic meters to just 4 billion. Downstream problems have become so severe that Chinese officials have lifted their ban on foreign ownership of gas-fired power plants, gas-fueled chemical plants, and urban gas pipeline networks. BP Amoco then signed a gas marketing agreement with PetroChina in September 2000.[23]

Beijing appears intent on proceeding with the pipeline even without significant foreign investment. According to one Chinese official, the pipeline remains "one of [China's] top priorities." The government hopes that the spending associated with the project will promote economic development in China's interior and tie restive Xinjiang economically closer to the rest of the country. Unsurprisingly, as one PetroChina official commented, some foreign companies have seen the pipeline "more as a political project."[24]

Despite general disappointment in the Tarim Basin, foreign oil companies remained eager for energy prospects in the Sichuan, North China, and Songliao Basins, although foreign participation before 1994 had been minimal. However, given the large natural gas reserves of these areas, several companies have since signed production-sharing contracts to begin exploration. Anadarko and the Ministry of Geology and Mineral Resources led two joint studies of the Longmenshan and Tong Nan Ba blocks in October 1994. Eventually Royal Dutch/Shell farmed into the project with a 60 percent

[22] While foreign companies can own 100 percent of the pipeline, they cannot own the land on which the pipeline rests and they must use CNPC's construction crews. Once fully operational in 2007, the pipeline is expected to carry some 20 billion cubic meters of natural gas each year. Quotation from Xu Yihe, "China Energy Watch: Investors Avoiding Gas Pipeline Plan," *Dow Jones Newswires*, Oct. 10, 2000. See also Xu Yihe, "Foreign Cos Allowed 100% of China's W-E Gas Pipeline," *Dow Jones Newswires*, Mar. 27, 2000.

[23] Demand remains a significant hurdle, considering an 864-kilometer gas pipeline built between the Changqing gas field and Beijing has been operating at 30 percent of capacity due to a lack of demand. Quotation from Xu Yihe, "China Scales Dn Initial Shanghai Gas Pipeline Throughput," *Dow Jones Newswires*, Apr. 25, 2000. See also "BP Signing Chinese Gas Accord, May Join Gas Pipeline," *Oil and Gas Journal*, Sept. 18, 2000, p. 74; "PetroChina Unveils Plan to Cut 10% of Its Work Force over Five Years," *Wall Street Journal*, Sept. 1, 2000; *Country Report: China and Mongolia, May 2000* (London: EIU, 2000), p. 34; Gabriel Lafitte, "Problems with the Pipeline," *Dow Jones Newswires*, Apr. 6, 2000; and Xu, "Foreign Cos Allowed 100% Of China's W-E Gas Pipeline."

[24] Quotation from Xu, "China Energy Watch." See also "Go West, Young Han," *Economist*, Dec. 21, 2000; Craig S. Smith, "Beijing Tries to Lift Economic Standards," *New York Times*, Nov. 7, 2000; and Philip P. Pan, "Touting China's Hinterland," *Washington Post*, Oct. 26, 2000.

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interest, but at the end of the study in 1995 did not sign a contract. In December 1995, Texaco licensed two blocks in the western part of the basin, and Enron took the Chuangzhong block in August 1997. Two years later, the company signed a letter of intent with CNPC to construct a 695-kilometer, 26-inch gas pipeline from Sichuan to neighboring Hubei province. The $230 million pipeline with an annual capacity of 3 billion cubic meters was sanctioned in Beijing's Tenth Five-Year Plan and is part of China's larger ambition to build a national gas transmission grid. Foreign interest in central China has not been limited to natural gas, but has extended to coalbed methane in the Hedong and Ordos Basins, where ARCO, Phillips Petroleum, and Texaco have acquired interests in several blocks.[25]

Another onshore area with notable foreign activity is the North China Basin, which extends through Henan and Hebei provinces. After a lackluster second licensing round in January 1994, in which only two of the basin's eleven blocks offered were awarded, CNPC began bilateral negotiations with foreign companies such as Agip, Chevron, Royal Dutch/Shell, and Texaco, as well as several smaller firms. Yet many of the American and Canadian independents involved have been contracted to perform enhanced oil recovery in aging and poorly managed fields rather than embark on new exploration.

North of the North China Basin is the Songliao Basin, which encompasses the Daqing fields. In April 1995, Exxon signed a production-sharing contract covering some 30,000 square kilometers and giving the company the right to explore and develop deep horizons within the basin. A Canadian independent, Sunwing Energy, is involved in a joint development deal with Lianyi Petrochemical to develop the Fularji field in the Daqing area. With an estimated reserve of 35 million barrels of oil, the field is reported to require scores of wells. In August 1996, Sunwing was awarded a thirty-three-square-kilometer site that sits on a difficult low-permeability reservoir in one of Daqing's fields. The contract marked the first time CNPC had given a foreign company rights to undeveloped resources in its largest oil production area.

The range of foreign investment in China has also extended into downstream operations. In one case a PetroChina subsidiary, Daqing Petrochemical Corporation, invited BP Amoco to help expand its main ethylene cracker's capacity from 480,000 tons to 600,000 tons per year in October 2000.

[25] The Sichuan Basin contains some of the oldest known natural gas deposits in China. In ancient times, natural gas would be collected in animal bladders from ground seeps and used for lighting. Since the 1960s, CNPC has built and operated a number of gas pipelines throughout the region. Xu Yihe, "China Approves Enron, PetroChina Gas Pipeline Proj—Exec," *Dow Jones Newswires*, Aug. 21, 2000; "China Outlines 10 Projs to Spur Growth in W, Central China," *Dow Jones Newswires*, Apr. 11, 2000; *Country Report: China and Mongolia, 1st Quarter 1999* (London: EIU, 1999), pp. 21–22; "Production-Sharing Contracts Signed by ARCO for Coalbed Methane Project in China," BP Amoco press release, June 29, 1998; "Texaco Signs 500 Million Dlr Coal-Gas Exploitation Agreement in China," Agence France-Presse, Jan. 8, 1998; *Country Report: China and Mongolia, 1st Quarter 1998* (London: EIU, 1998), p. 21; and "ARCO Acquires Enron Oil and Gas Company's Interest in Two Coalbed Methane Prospects in China," BP Amoco press release, June 3, 1997.

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At the same time, BP Amoco was involved in the planning and construction of a 900,000-ton-per-year ethylene cracker in Shanghai with Sinopec. In its twentieth and largest joint venture in China to date, Royal Dutch/Shell partnered with CNOOC to begin construction of a $4 billion ethylene cracker in Huizhou in late 2000. Once completed, that world-class plant will have an annual capacity of almost 3 million metric tons of ethylene derivatives.[26]

However, downstream operations have also carried risks for foreign investors. In April 2000, two Royal Dutch/Shell joint ventures involved in the distribution of liquefied petroleum gas in China defaulted on $16 million in loans from ING Bank. Even though Royal Dutch/Shell once held stakes of 90 percent and 45 percent in the two ventures, the Anglo-Dutch company contended that since it already negotiated to divest both firms, the ventures' debt obligations remained with the firms. But the entire issue underscored "that emerging-market risk doesn't stem exclusively from local borrowers. [Since 1998], there have been several cases in which multinationals have disavowed responsibility for loans to joint ventures where they haven't provided legal promises to repay."[27]

The Creation of China's Oil Majors

Beyond encouraging major foreign oil companies to invest in China, Beijing has endeavored to create its own international, publicly held "majors." The goal is to relieve the government of the financial burden of state-owned enterprises and foster firms able to compete with foreign oil companies for energy resources in China and abroad.

PetroChina. Two armed soldiers still stand guard at the main entrance to the corporate offices of PetroChina, China's first publicly held oil company. The offices themselves remain housed in the same building that accommodates its former state-owned parent, CNPC. Although the decor has yet to change, the Chinese oil industry has experienced dramatic changes over the last decade, spurred on by the fear, as the official *China Daily Business Weekly* reports, that it "may not be too long before the [oil] industry collapses in the face of foreign competition, if reforms do not gather pace." Citing an internal government report, the newspaper further argued that "China needs the invisible helping hand of the market to save its oil industry, which is plagued by administrative monopoly and a divided internal structure." West-

[26] Cracking is a process in which heat and pressure (and sometimes a catalyst) are applied to heavier hydrocarbons to break them into lighter ones, such as ethylene. "China Asks BP to Join Daqing Ethylene Cracker Proj—Exec," *Dow Jones Newswires,* Oct. 31, 2000; "Shell Signs Agreement to Take 50% Stake in Venture with Chinese Oil Companies," Associated Press, Oct. 29, 2000; and Bhushan Bahree, "Shell, Chinese Joint Venture Partners Reach Agreement on Huizhou Plant," *Wall Street Journal,* Aug. 24, 2000.

[27] Henny Sender, "Two Shell Joint Ventures in China Default on Loans, Worrying Banks," *Wall Street Journal,* Apr. 13, 2000.

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ern firms, it stated, have an advantage because they are "independent of government meddling."[28]

But to create viable businesses, Chinese oil concerns will have to curtail their operating expenses sharply. The cost of oil development by Chinese firms averages $1.50 per barrel, compared to $1.20 for their Western counterparts. The cost of natural gas exploration by Chinese firms averages $3.90 per barrel of oil equivalent, compared to $3.00 for their Western counterparts. Furthermore, most Chinese refineries operate at a scale below what is needed to compensate for the high cost of maintaining them. While ExxonMobil's refineries worldwide average 8.9 million tons of oil per year and those in Singapore 15.3 million tons, many Chinese refineries have capacities as low as 3 million tons. To improve their profitability, Sinopec and China National Chemicals Import and Export Corporation, two large Chinese downstream firms, have tried to attract foreign clients to achieve higher refinery utilization rates. But that was not enough at the end of 2000. As a result of continued oil-product surpluses across China, a number of PetroChina and Sinopec refineries had to lower their run rates, some by as much as 20 percent. Others have begun their annual maintenance programs early.[29]

Beginning in the 1980s, Beijing began a large-scale restructuring of the country's oil industry, merging and allocating smaller oil and petrochemical companies to create a few large integrated oil concerns. In November 1999, CNPC formed a subsidiary called PetroChina and entrusted it with 480,000 of the parent company's 1.5 million workers and most of its best assets. Although PetroChina was primarily an onshore exploration and production company like its parent, it immediately ranked fifth in the world in terms of estimated reserves, and its production accounted for 68 percent of China's total at the time of its initial public offering (IPO) in April 2000. The company also operated 3,400 gas stations and owned pipelines that transported 84 percent of China's natural gas. Meanwhile, CNPC retained the excess workforce and most of its welfare obligations.[30]

To ready the firm for its launch, PetroChina hired over a thousand McKinsey and PriceWaterhouseCoopers management consultants to help streamline its units. Goldman Sachs was engaged as the lead underwriter to manage the firm's road show and IPO. PetroChina's executives promised foreign investors that they would improve profitability by reducing staff and cutting costs. By January 2001, 38,000 employees had been laid off and a

[28] "Chinese Oil Industry Will Collapse without Reform, Report Says," Agence France-Presse, Jan. 25, 1998.

[29] Xu Yihe, "China Refineries Continue to Lower Runs on High Stks—Exec," *Dow Jones Newswires*, Dec. 14, 2000; Xu Yihe, "China Needs New Changes for Globally Viable Oil Sector," *Wall Street Journal*, Apr. 20, 2000; and Brauchli, "China's Growing Thirst for Oil."

[30] Ian Johnson, "PetroChina Privatization Progresses with Investments, London Lawyers," *Wall Street Journal*, May 31, 2000; Michael M. Phillips, "PetroChina's IPO Roadshow Opens, While Opposition Forces Rally Nearby," *Wall Street Journal*, Mar. 23, 2000; and "PetroChina Plans to Move Forward with Roadshow for Initial Offering," *Wall Street Journal*, Mar. 3, 2000.

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number of small refineries were closed—saving the company $84.5 million annually. In five years, PetroChina will have shed 10–12 percent of its personnel. By that time, the company also intends to have trimmed its natural gas development cost to $3.50 per barrel of oil equivalent. The company's revenue growth will come from continued exploration and production of new energy resources in China and abroad as well as an aggressive expansion of its retail operations. In fact, PetroChina has aimed to control one-fifth of all Chinese gas stations and acquired 2,800 of them during the first six months of 2000 alone.[31]

But among PetroChina's most critical projects are the development of natural gas in Xinjiang and the construction of a pipeline to convey it to urban markets in eastern China. Eventually, PetroChina hopes to locate in Xinjiang's three basins about 1 trillion cubic meters of natural gas—enough, according to most Chinese analysts, to make the planned pipeline economically feasible. With only 420 billion cubic meters discovered so far, the company has posited an ambitious schedule to add some 300 billion cubic meters in 2000 and another 100 billion in 2001. Straining to meet those goals, PetroChina has been reportedly considering the tender of its Kela-2 gas acreage in the Tarim Basin to foreign exploration and production. Kela-2 is believed to be among the largest natural gas discoveries in the Tarim Basin and could yield 10 billion cubic meters of natural gas annually.[32]

However, some foreign investors remain wary of PetroChina. Although it was to operate as a publicly held company after its offering, almost 90 percent of its stock remained in the hands of state-owned CNPC, raising fears that PetroChina could be locked into CNPC obligations. As Mark Mobius, manager of the Templeton Emerging Markets Fund, remarked: "The question is whether [PetroChina] can restructure. As long as the government continues to hold the reins of power it is hard to see change." The company also promised to give CNPC an undisclosed amount of money from its IPO to cover worker retirement and retraining and pay out a dividend of over $1 billion, most of which would go to CNPC. Finally, PetroChina has committed to bearing most of CNPC's $15 billion debt. As much as $1.2 billion of its IPO proceeds were used to reduce its debt load. Whatever remained would be

[31] Meredith Tompson, "PetroChina Slashes 38,000 Jobs in 2000," *BridgeNews*, Jan. 8, 2001; "PetroChina Says '00 Target for 10,000 Job Cuts Completed," *Dow Jones Newswires*, Nov. 1, 2000; "PetroChina to Merge Some Refineries, Close Others, Papers Say," *Bloomberg News*, Oct. 29, 2000; "PetroChina Aims to Control 21% of China's Gas Pumps," *Bloomberg News*, Aug. 31, 2000; Peter Wonacott, "PetroChina's Net Soared 77% in '99; Company Plans to Trim Payroll, Debt," *Wall Street Journal*, Apr. 28, 2000; and Peter Wonacott and Ian Johnson, "PetroChina Prepares to Go Public; Changes Fail to Break Its State Ties," *Wall Street Journal*, Jan. 14, 2000.

[32] The pipeline's gas reserve requirement was based on the assumption that 72 percent of the natural gas discovered in the Tarim Basin would eventually be recovered. Vivian Chu, "PetroChina May Open Up West to West," CBS.Market.Watch.com, Dec. 12, 2000; Xu Yihe, "PetroChina Starts Ops at New Block in Xinjiang—Exec," *Dow Jones Newswires*, Dec. 11, 2000; Xu Yihe, "PetroChina to Build 1.06 Cu Meter Gas Capacity 01—Report," *Dow Jones Newswires*, Dec. 7, 2000; and Xu Yihe, "PetroChina Seeks 300B Cu Meters Proven Tarim Gas Reserves," *Dow Jones Newswires*, Mar. 31, 2000.

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invested in existing fields, such as those in the Daqing area where the company hopes enhanced oil recovery equipment can extend the lives of its oil fields. Other new investments would be in natural gas, especially the fields in Shaanxi province.[33]

A further complication arose when a broad range of environmental, labor, and human rights organizations rallied against PetroChina's IPO in protest of its parent company's activities in Sudan and Tibet. They were principally disturbed by reports that CNPC's oil development project in Sudan had used forced labor. Some were also upset because the project transfers some of its revenue to the regime in Khartoum, which is engaged in a protracted and bloody civil war. To assuage its detractors, PetroChina guaranteed that the Sudanese oil development project would remain in CNPC hands. "Sudan should not be an issue because of extensive legal firewalls in place to ensure the IPO proceeds are not used there," reassured Robert Hormats, a vice-president of Goldman Sachs International.[34]

Despite such problems, PetroChina's initial float on the Hong Kong and New York stock exchanges was oversubscribed by a respectable 105 percent—helped no doubt by the company's promise to distribute 40–50 percent of its net profits as a dividend to its shareholders. About 17.6 billion class-H shares were issued, of which 879.1 million were offered in Hong Kong at a price of HK$1.28 per share, at the low end of its expected HK$1.23–1.49 range. In New York, Goldman Sachs ensured that all of PetroChina's American Depository Receipt (ADR) shares were placed in institutional hands by the time of the IPO and continued to fend off attempts by the company's critics to delay the offering. The ADR offering price was $16.44, also at the low end of its expected range. As a result, PetroChina raised just $2.9 billion, far short of the $5–10 billion it had hoped for.[35]

What modest success PetroChina's offering did have was largely the result of a strategic investment by BP Amoco, which acquired 20 percent of the worldwide float in hopes that PetroChina might give it access to China's

[33] PetroChina also arranged with its creditors to swap some of its remaining debt for equity in the publicly held company. Quotation from Jason Booth, "PetroChina Is No Longer Black Sheep of the Market," *Wall Street Journal*, June 5, 2000. See also Mark L. Clifford and Dexter Roberts, "Can This Giant Fly?" *Business Week*, Feb. 7, 2000; and Wonacott and Johnson, "PetroChina Prepares to Go Public."

[34] Quotation from Wonacott and Johnson, "PetroChina Prepares to Go Public." See also Eduardo Lachica, "AFL-CIO's Influence Erodes Interest in PetroChina's IPO," *Wall Street Journal*, Mar. 14, 2000; Eduardo Lachica and Michael M. Phillips, "U.S. Lawmakers Attempt to Block IPO for State-Owned Chinese Oil Company," *Wall Street Journal*, Mar. 1, 2000; Eduardo Lachica, "U.S. Lawmakers Oppose Plans by China Firm to Launch IPO," *Wall Street Journal*, Mar. 1, 2000; "The Initial Public Offering of PetroChina: A Report by the AFL-CIO's Office of Investment" ([Washington, D.C.]: AFL-CIO, Mar. 1, 2000); and Peter Wonacott and Eduardo Lachica, "Protests, Regulatory Review Hamper Planned Stock Listing of PetroChina," *Wall Street Journal*, Feb. 9, 2000.

[35] ADRs are negotiable receipts on foreign securities and are traded in place of those securities in order to alleviate the difficulties (including transferring certificates, converting currencies, and meeting financial disclosure requirements) inherent in buying and selling foreign securities. Bei Bei She, "China's CNOOC Seen Attractive at Second IPO Attempt," Reuters, Jan. 17, 2001; "China Company: Petro China Takes Off—Just," EIU, Apr. 7, 2000; and Peter Wonacott, "PetroChina IPO Is Critical to Revamping Oil Industry," *Wall Street Journal*, Apr. 6, 2000.

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growing markets. Upstream, BP Amoco gained greater access to exploration acreage in China; downstream, the company opened a potential market for its natural gas fields in Siberia and Indonesia and created a joint venture with PetroChina to acquire 150 gas stations in southern China. In Hong Kong, PetroChina relied on several pro-Beijing firms to place all its shares there. The Henderson Land Development Company alone, led by Lee Shau-kee, purchased 53.3 percent of the total.[36]

Sinopec. Six months after PetroChina's offering, a second Chinese oil company, Sinopec, prepared for its IPO. Formally established in 1983 as the China Petroleum and Chemical Corporation, it once managed 90 percent of China's refineries, including thirty-eight of the largest, as well as the domestic distribution of petrochemical products. Through the Chinese oil industry's restructuring in July 1998, Sinopec acquired several production fields, including the Shengli fields in Shandong province, and shed some of its smaller refineries. Nonetheless, the firm remained a heavily downstream operation. About sixty regional pipeline and petrochemical companies have been folded into its portfolio since 1997, including five with shares listed on the Hong Kong stock exchange and a dozen with shares listed on mainland Chinese stock exchanges. Operating over 20,000 gas stations in nineteen provinces, Sinopec continues to be the dominant oil-product retailer in southern and eastern China.[37]

During its road show, foreign investors were relieved to learn that Sinopec intended to use most of its IPO proceeds to expand its business. The firm planned to grow by acquiring or building new refineries, petrochemical plants, and retail outlets as well as investing in exploration and production. It also hoped to improve its domestic distribution network consisting of pipelines and 1,100 bulk storage facilities. Finally, Sinopec was expected to shut several smaller refineries and cull 20 percent of its 500,000-person workforce by 2005, including 27,000 employees in 2001. All told, the company was slated to cut operation costs by $265 million in 2001 and $1.6 billion by 2003. In a separate arrangement with its creditors, Sinopec swapped $3.6 billion of its debt for equity in the new publicly held company.[38]

[36] Karol Nielsen, "PetroChina IPO Succeeds after a Difficult Start," *Chemical Week*, Aug. 30, 2000, p. 31; Kenneth Wong, "Initial PetroChina Trading Sputters; Goldman Sachs Bolsters Prospects," *Wall Street Journal*, Apr. 10, 2000; Peter Wonacott, "PetroChina Sells Hong Kong Portion of Its IPO," *Dow Jones Newswires*, Apr. 5, 2000; Bhushan Bahree, "BP Amoco Plans to Acquire 20% of PetroChina in Initial Offering," *Wall Street Journal*, Mar. 24, 2000; and Peter Wonacott and Eduardo Lachica, "PetroChina Recruits Several Allies in Hong Kong As Investors in Issue," *Wall Street Journal*, Mar. 22, 2000.

[37] In 2000, China had roughly 80,000 gas stations. "Sinopec to Spend $3.8 Bil Buying Gas Stations, Paper Says," *Bloomberg News*, Nov. 18, 2000; Kirsti Hastings, "China's Sinopec to Raise US$3–4B in Share Offer—Source," *Dow Jones Newswires*, Sept. 14, 2000; and Xu Yihe, "Sinopec's IPO May Outperform PetroChina; Majors Support," *Dow Jones Newswires*, Sept. 12. 2000.

[38] Zhang Honglin, "The Directors of the Company (As Defined below) Wishes [sic] to Clarify Press Articles on the Company's Employee Reduction Plan," Sinopec announcement, Jan. 8, 2001; "Asia Briefs," *Wall Street Journal*, Dec. 26, 2000; Mark Lander, "China's No. 2 Oil Company Prepares to Go Public," *New York Times*, Oct. 12. 2000;

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However, none of Sinopec's foreign investors would have a seat on the company's board of directors, and further worries arose over the company's geographic situation. While Sinopec's refineries and distribution networks are largely based in southern China, the main energy production areas, such as Daqing and Shengli, are in the north. Consequently, Sinopec imports as much as 53 percent of the oil used in its southern refineries. But with prices for gasoline and diesel still fixed by Beijing, Sinopec's refining losses mounted as international oil prices rose in 1999. Sensitive to the plight of its refiners, Beijing raised the price of gasoline by 27 percent and diesel by 24 percent in July 1999. Within the next year, the price of gasoline increased by another 42 percent, and a new fuel tax was levied on wholesalers in October 2000. Even so, Beijing has been wary of raising fuel prices, since doing so eventually accelerates inflation and retards economic growth. As a result, the Chinese government slightly reduced domestic prices after international oil prices eased in late 2000. In any case, it was clear that Sinopec's profitability would be somewhat tied to policies set by Beijing.[39]

Fortunately for the firm, its activities are not limited to downstream operations. Its upstream designs include new exploration in the Shengli fields, the Tarim Basin, and the East China Sea. By the end of 1999, Sinopec had proved 2.9 billion barrels of oil reserves and 782 billion cubic feet of natural gas reserves. Another 809 million barrels of recoverable oil and 10.2 million cubic feet of recoverable natural gas were discovered during the first nine months of 2000.[40]

Like PetroChina's, Sinopec's public offering also met resistance from environmental, labor, and human rights organizations when they learned that one of Sinopec's subsidiaries, Zhongyuan Petroleum Corporation, was contracted by CNPC to undertake seismic surveys and drill wells in Sudan. To reduce the intensity of further protests on the eve of its IPO, Sinopec sold the subsidiary to CNPC in June 2000.[41]

The apparent success of BP Amoco's investment in PetroChina helped Sinopec attract a number of strategic investors for its offering. Exxon-

"Overhaul to Cost 100,000 Jobs," *Bloomberg News*, Sept. 26, 2000; Hastings, "Sinopec to Raise US$3–4B"; and "Chinese Banks Swap $3.6 Bil Debt for Sinopec Equity," *Bloomberg News*, Sept. 14, 2000.

[39] "China Cuts Gasoline Prices As Crude Prices Fall, Xinhua Says," *Bloomberg News*, Nov. 17, 2000; *Country Report: China and Mongolia, August 2000* (London: EIU, 2000), p. 23; Xu Yihe, "China's 2005 Crude Run Expected at 230M MT—Exec," *Dow Jones Newswires*, Mar. 24, 2000; *Country Report: China and Mongolia, 1st Quarter 2000*, p. 30; *Country Report: China and Mongolia, 2nd Quarter 1999*, p. 31; *Country Profile: China and Mongolia, 1998–99* (London: EIU, 1999), p. 27; "China's Oil Price Reforms a Major Step in Deregulating Its Petroleum Sector," *Oil and Gas Journal*, Aug. 10, 1998; Nakajima, "Price Reforms in China"; and Chang, "Oil Price Controls to be Lifted Gradually."

[40] Xu Yihe, "Sinopec Proves 1.086B Bbl Crude Oil Reserves Jan–Sep," *Dow Jones Newswires*, Oct. 24, 2000; and Karby Leggett, "China's Sinopec Unit Executive Is Issued Death Sentence," *Asian Wall Street Journal*, Oct. 17, 2000.

[41] "Sinopec Says It Sold Sudan Asset to CNPC for $9.7 Mil in June," *Bloomberg News*, Nov. 6, 2000; Murray Hiebert, "Sinopec's IPO Hit by Human Rights Protests," *Far Eastern Economic Review*, Oct. 25, 2000; and Lander, "China's No. 2 Oil Company Prepares to Go Public."

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Mobil promised up to $1 billion for 19 percent of the offered shares, Royal Dutch/Shell some $430 million for 8.2 percent, BP Amoco $400 million for 7.6 percent, and Asea Brown Boveri $100 million for 1.9 percent. Once again, several Hong Kong tycoons were involved in purchasing the remaining shares; some of them invested well over $1 billion to ensure access to China's retail markets. In the end, Sinopec raised $3.5 billion after floating 17.6 billion shares at HK$1.59 per share, or 20 percent of its total equity, in October 2000. On Wall Street, the firm's 16.8 million ADR shares began trading at $20.645 per share.[42]

Deals with investors quickly followed. Sinopec partnered with Royal Dutch/Shell to explore natural gas deposits in western China, invest in a $150 million fertilizer plant in Hunan province, manage refueling operations at Chinese airports, and run 500 gas stations in Jiangsu province. Sinopec also partnered with ExxonMobil to run 500 gas stations and expand a major petrochemical plant in Guangdong province. Lastly, the firm partnered with BP Amoco to run 500 gas stations in Zhejiang province and construct a $2.5 billion ethylene plant near Shanghai. Eventually, BP Amoco hopes to operate 800 gas stations in China.[43]

CNOOC. CNPC's offshore counterpart, CNOOC, was established in February 1982. It assumed responsibility for all the oil and natural gas exploration and production activity in China's offshore blocks, including the administration of contracts with foreign oil companies. In October 1998, Beijing allocated the management of China's future LNG imports to CNOOC's portfolio.

Although PetroChina's offering was the first for China's oil majors, CNOOC, widely respected in the oil industry as the most professionally managed of China's oil companies, was to have offered its shares on international stock exchanges in October 1999. But faced with lukewarm investor interest, Beijing aborted the public offering. Instead, in April 2000 CNOOC raised over $450 million in a round of private placements with, among others, the Government of Singapore Investment Corporation, American International Group Asian Infrastructure Fund, Hutchinson Whampoa Limited, and Hong Kong Electric Holdings Limited. Learning from its first experience, CNOOC tempered its ambitions and replaced its lead underwriter, Solomon Smith Barney, with a team including Credit Suisse First Boston, Merrill Lynch,

[42] Jason Overdorf, "Exxon Mobil Affiliate Buys 19% of China Pete Offering," *Dow Jones Newswires*, Oct. 18, 2000; "Megamajors Open Door to China Expansion Plans," *Oil and Gas Journal*, Sept. 25, 2000; Xu, "Sinopec's IPO May Outperform PetroChina"; and Leslie P. Norton, "Asian Trader," *Dow Jones Newswires*, Sept. 9, 2000.

[43] BP Amoco's ethylene plant, which has an annual capacity of 900,000 tons and is slated to open in 2005, would be China's third. BASF and Sinopec are expected to bring a plant in Nanjing online as early as 2004 with a capacity of 650,000 tons per year, and Royal Dutch/Shell and CNOOC signed a deal to build yet another plant in 2005, with a capacity of 800,000 tons per year, in Guangdong province. Peter Wonacott, "Shell Plans $300 Million Investment in China National Offshore Oil IPO," *Wall Street Journal*, Nov. 15, 2000; and "Sinopec, BP to Finish Petchem Feasibility in Dec," Reuters, Nov. 9, 2000.

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and BOC International. Still hoping to raise $1.2–1.5 billion, the company prepared its second IPO attempt for the first quarter of 2001 on the Hong Kong and New York exchanges. According to the *Financial Times*, about 25 percent of the concern's equity will be floated. With foreign firms now accustomed to acquiring minority interests in Chinese oil companies, Royal Dutch/Shell was willing to invest up to $300 million for 20 percent of CNOOC's initial offering. The two companies would then cooperate in natural gas marketing and offshore exploration and production. In November 2000, CNOOC announced that Royal Dutch/Shell would help it develop the Pinghu field to provide natural gas for power stations near Shanghai. Meanwhile, BP Amoco, which invested in the offerings of PetroChina and Sinopec, may also purchase up to $200 million of CNOOC's share issue.[44]

The China National Star Petroleum Corporation (CNSPC) was established as yet another Chinese national oil company in January 1997. Its stated purpose was to commercialize the activities of China's oil bureau and research institutes, now under the Ministry of Land and Natural Resources. After CNOOC's offering, CNSPC remains the last major Chinese oil company in government hands.

However, raising money from share offerings does not ensure that Chinese oil companies have secured their futures. These publicly held concerns will have to become profitable on an international scale, especially as China's domestic energy markets become more open to foreign competition. Otherwise, the firms' remaining equity will devalue and they will have to turn again to Chinese bank loans for financing and survival. The ultimate success of a modern oil company depends not only on its ability to find, produce, refine, and market energy products, but also on its ability to manage risk in its asset portfolio, structure deals for alliances and acquisitions, and create an accountable corporate culture. So far, PetroChina, Sinopec, and CNOOC have all secured partnerships with major foreign oil companies, which have given them a steady foundation from which to grow in China and abroad.[45]

[44] Bei Bei She, "China's CNOOC Seen Attractive at Second IPO Attempt"; Sonia Tsang, "China's CNOOC to Issue 1.64 Shrs in IPO—Source," *Dow Jones Newswires*, Dec. 14, 2000; Wonacott, "Shell Plans $300 Million Investment"; "Sinopec Finds Oil, Gas in Sichuan, Offshore Shanghai," *Bloomberg News*, Nov. 15, 2000; "CNOOC Names Banks for Second Try at Share Sale, Drops Solomon," *Bloomberg News*, Oct. 3, 2000; Karby Leggett, "Sinopec, Royal Dutch/Shell Finalize Wide-Ranging Cooperation Deal," *Wall Street Journal*, Sept. 13, 2000; "BP, ExxonMobil Eye China Retail," *Today's Refinery*, Sept. 2000, p. 6; Nisha Gopalan, "Shell: No Comment on China's CNOOC IPO Plan; Talks Continue," *Dow Jones Newswires*, Aug. 22, 2000; and "China National Offshore Oil to Reorganize," *Asian Wall Street Journal*, Jan. 6, 1998.

[45] If successful, China's oil companies can make secondary offerings of their remaining equity and generate more capital to fund future expansion without the need for government loans or subsidies. "The Longer March," *Economist*, Sept. 30, 2000; David Ernst and Andy M. J. Steinhubl, "Petroleum: After the Megamergers," *McKinsey Quarterly*, no. 2, 1999, pp. 49–57; Tim Bleakley, David Gee, and Ron Hulme, "The Atomization of Big Oil," *McKinsey Quarterly*, no. 2, 1997, pp. 122–42; and David Ernst and Andy M. J. Steinhubl, "Alliances in Upstream Oil and Gas," ibid., pp. 144–55.

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Chinese Investment Abroad

Throughout the 1980s, Beijing hoped that new oil and natural gas discoveries in the Tarim Basin could provide most of the energy resources China would need to sustain its economic development. By the mid-1990s, China's Ministry of Geology and Mineral Resources privately admitted that the basin was not going to yield enough energy resources to fuel China's economy. To meet the 1993 goal set forth by Premier Li Peng "to secure the long-term and stable supply of oil to China," Beijing would have to ensure an international energy supply that would not be vulnerable to blockade or embargo by any single country. Sometimes this strategy was referred to as a "strategic oil supply security system," and CNPC chairman Wang Tao attested to its importance when he affirmed at the Fifteenth World Petroleum Congress in October 1997 that international investment was the key to China's energy security.[46]

International investment was considered by some observers to be a "fundamental change in Beijing's energy policy" and an implicit abandonment of self-reliance. But it could also be seen as a logical extension of a policy of self-reliance, given China's recognition that its domestic oil and natural gas supplies are unlikely to meet its ultimate goals.[47] Thus, CNPC ambitiously expanded its overseas operations and by December 2000 had acquired over $8 billion in oil and natural gas properties worldwide. Among the first was in South America, where it acquired the Peruvian Talara block for $25 million in 1993. In East Asia, CNPC signed a production-sharing contract to develop the Sukhothai field in Thailand, and CNOOC purchased a 32.6 percent stake in an offshore oil field in Indonesia. In 1995, CNOOC acquired another 6.9 percent of the latter field.[48]

International investment could be seen as a logical extension of a policy of self-reliance.

A much larger flurry of investment occurred two years later. In June 1997, CNPC prevailed over several foreign competitors, including Amoco and Texaco, to secure an agreement with Kazakhstan to buy a 60 percent stake in the state-owned Aktyubinskmunaigaz production association, which has oil reserves of some 483 million tons. In return, CNPC promised to invest $4 billion in the firm over the next twenty years. Most of the money would be used to develop the Zhanazhol and Kenkiyak oil fields in the Aktyubinsk (Aqtöbe) region of western Kazakhstan. In 1998, the fields produced just 2.6

[46] Rashid and Saywell, "Beijing Gusher"; Wang Tao, address, 15th World Petroleum Congress, Beijing, Oct. 14, 1997; "China's Gas Production Will Not Meet Demand by 2020"; Baert, "China Will Need More Oil Imports"; and Ian Johnson, "China Searches for Stable Sources of Energy Abroad," *Wall Street Journal*, June 25, 1997.

[47] Similarly, while China has endeavored to remain self-reliant in military equipment, it has chosen to buy equipment from foreign countries whenever its domestic defense industry has failed to meet its military needs.

[48] Erica Strecker Downs, *China's Quest for Energy Security* (Santa Monica, Calif.: RAND, 2000), pp. 21–23; and Zhang Yirong, "China Quickens Its Pace of Overseas Oil Operation," *China Oil and Gas*, Sept. 1997, pp. 174–75.

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million tons of oil, half the level CNPC had originally hoped for. The majority of the oil is shipped to the Orsk refinery in Russia for processing. But "Orsk wants to pay Aktyubinskmunaigaz in roubles rather than dollars, which the latter is refusing to accept. The alternative is for CNPC to ship its oil to the Chimkent refinery and pay high transport costs."[49]

Nevertheless, probably the key reason why the Kazakh government chose the CNPC bid was that CNPC offered to build a 3,000-kilometer pipeline linking Aktyubinsk to China. Such a pipeline would provide a needed alternate outlet for Kazakh energy resources to world markets. For the most part, Kazakhstan still relies on decaying pipelines that wind through Russia, where oil is sometimes siphoned and payment is generally unreliable. The creation of an alternate route for Kazakhstan's oil and natural gas would also be important to Astana's desire for greater independence from Moscow. CNPC initially estimated that the pipeline would cost $3.5 billion, but many Western analysts expect it to cost even more, given the rough terrain and the large-diameter pipe that would be needed to make the project profitable. CNPC and Kaztransoil are currently surveying the route as part of their joint feasibility study. However, the pipeline's economic profit is not the only potential benefit for China. Once built, it will give Beijing leverage in Kazakhstan, where Uighur exile groups seeking Xinjiang's independence are based. In any event, despite CNPC attempts, few foreign investors have shown interest in financing the project, and CNPC, Exxon, and Mitsubishi shelved the Kazakhstan-China pipeline project in August 1999 after completing a joint study.[50]

The first trial shipment of Kazakh oil to China occurred in October 1997, when Chevron transported 1,700 tons of oil from its Tengizchevroil joint venture in Kazakhstan to a Sinopec refinery near Urumqi. That coincided with the arrival of the first shipment of 60,000 tons of oil from CNPC's Peruvian fields at the port of Qinhuangdao in Hebei.[51]

In September 1997, Premier Li Peng visited Kazakhstan and signed an agreement under which CNPC purchased a 60 percent interest in Kazakhstan's Uzen oil field for $1.2 billion. Located in the western Kazakh province of Manguistau, Uzen has an estimated oil reserve of some 150–200 million

[49] *Country Report: Kazakhstan, 1st Quarter 1999* (London: EIU, 1999), p. 32; *Country Report: Kazakhstan, 4th Quarter 1997* (London: EIU, 1997), p. 37. See also *Country Report: Kazakhstan, 3rd Quarter 1997* (London: EIU, 1997), p. 33; "Chinese Premier to Sign Oil Contract with Kazakhstan," Agence France-Presse, Sept. 9. 1997; Johnson, "China Searches for Stable Sources of Energy Abroad"; and "China Takes Control of Kazakhstan's Aktyubinsk," *East European Energy Report*, June 24, 1997, p. 16.

[50] Kazakhstan, China, the Kyrgyz Republic, Russia, and Tajikistan formed the Shanghai Five in March 2000, with the goal of coordinating measures to combat terrorism from Islamists throughout Central Asia and Xinjiang. Already, the Kazakh and Kyrgyz governments have cracked down on Uighur groups within their borders. *Country Report: Kazakhstan, April 2000* (London: EIU, 2000), p. 14; "CNPC Shelves China-Kazakhstan Oil Pipeline," *Oil and Gas Journal*, Aug. 30, 1999, p. 44; and Quan Lan, "Transnational Oil Pipeline Shelved," *China Oil, Gas and Petrochemicals*, Aug. 15, 1999, pp. 2–3.

[51] "Chevron to Move Oil to China," *Wall Street Journal*, Oct. 17, 1997.

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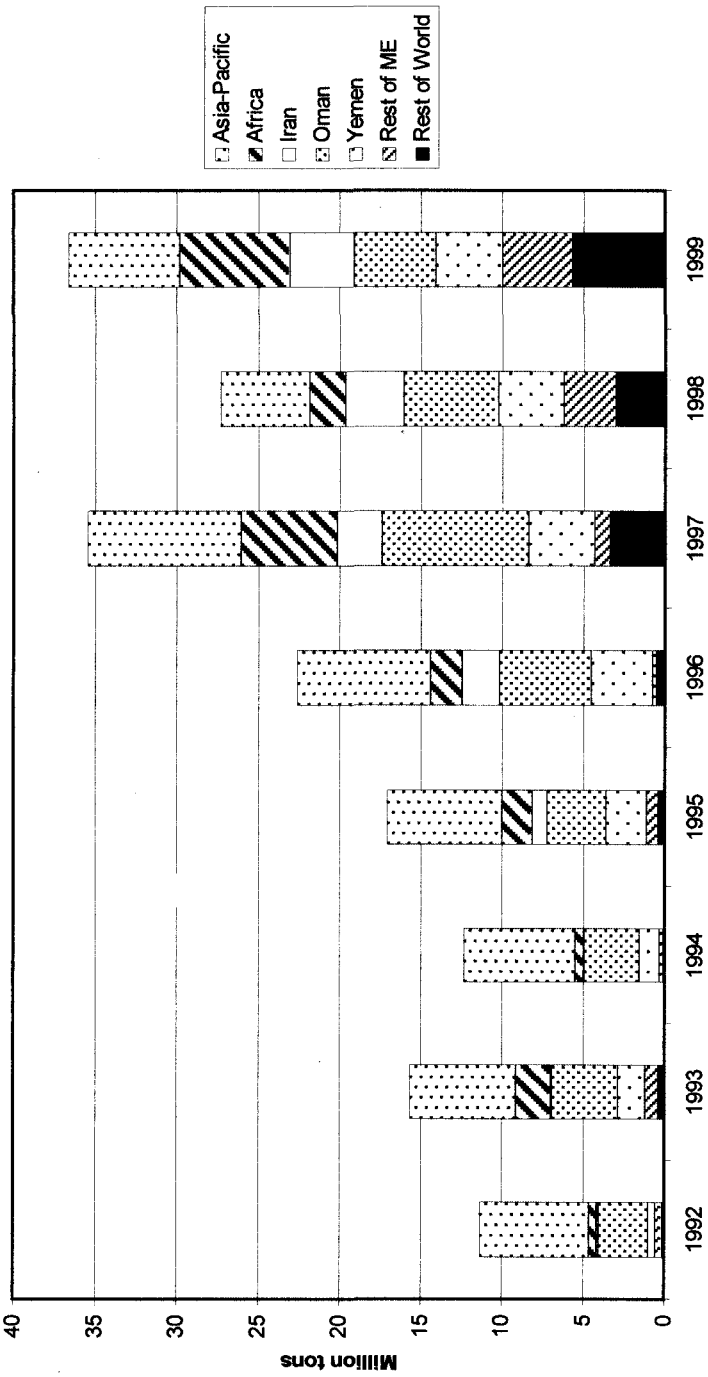

Note: Rest of ME = countries in the Middle East (excluding Iran, Oman, and Yemen).

Sources: Chinese Customs Statistical Review, 2000; BP Amoco, *Statistical Review of World Energy*, Jun. 2000; Fan Wenxin, "China's oil trade hits record highs in 1999," *China Oil, Gas and Petrochemicals*, Feb. 1, 2000, pp. 10-13; author's estimates.

Figure 2. Origins of Chinese Oil Imports

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tons. In the deal, CNPC promised to give the Kazakh government 8 percent of its royalty profits, pay off Uzen's existing $6 million debt, invest $10 million in training programs for Kazakh workers, and provide $27 million for social services to local Kazakh communities. As in the case of Aktyubinskmunaigaz, CNPC outbid foreign competitors by as much as 30 percent and paid dearly for the field. And as before, China's pledge to build a pipeline played a large role. Moreover, China suggested that it could build a second pipeline from Manguistau to Iran—an arrangement that American oil companies could not match due to U.S. economic sanctions against Iran. Although a Chinese feasibility study on the pipeline project in 1998 had unfavorable results, President Jiang Zemin revived the project in June 2000 during a visit to Turkmenistan. Even so, CNPC has admitted that financing such a venture would be difficult and has scaled back its commitment to building only those parts of the pipeline within Kazakhstan.[52]

CNPC's Central Asian exploits did not end there. In 1995, one of CNPC's subsidiaries signed a drilling service agreement with Uzbekistan for three production wells and two exploration wells. Two years later, CNPC and Agip agreed to form a joint venture to operate in areas of common interest, including Central Asia. The joint venture encompasses exploration, production, refining, and marketing. Also, CNPC and India's Oil and Natural Gas Corporation Videsh formed a joint venture to explore for oil in the Indian company's Kazakh concession in January 1998. CNPC representatives in Ashgabat are also negotiating for access to Turkmenistan's massive natural gas reserves.[53]

In the Middle East, where an increasing portion of China's imported oil originates, Beijing has courted many countries. William Ramsey, deputy director of the International Energy Agency, sees the "inevitability of increasing dependency on the Middle East for China" (see Figure 2). One area of particular Chinese interest has been Iraq, which controls about 10 percent of the world's reserves. For its part, Iraq, hoping to rebuild its oil industry after the Persian Gulf War, has been eager to sign a number of production-sharing contracts. In 1997, CNPC bought a 50 percent stake in the al-Ahdab oil field for $1.2 billion. The field has an estimated oil reserve of 180 million tons and is reputedly able to produce up to 90,000 barrels per day. So far, CNPC has been limited to seismic surveys of the 250-square-kilometer acreage due to economic sanctions imposed by the United Nations. In 1998, CNPC began negotiating with Iraq for a contract to develop the Halfayah oil field.[54]

[52] Ibid.; *Country Report: Kazakhstan, September 2000* (London: EIU, 2000), p. 9; *Country Report: Kazakhstan, 1st Quarter 1999* (London: EIU, 1999), p. 32; "Kazakhstan's Pipeline to Prosperity," *Economist*, Oct. 11, 1997; "Central Asia: China's Strike," *Economist*, Aug. 16, 1997; and *Country Report: Kazakhstan, 3rd Quarter 1997*, p. 33.

[53] Rashid and Saywell, "Beijing Gusher."

[54] Quotation from Evagora, "China Oil Imports Forecast to Rise." See also Xu Yihe, "China's Dependence on the Middle East May Increase," *Asian Wall Street Journal*, Mar. 30, 1999; Xiaojie Xu, "China and the Middle East:

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By October 2000, the Chinese National Machinery and Equipment Import and Export Company completed construction of a 222-megawatt power station near Iraq's northern oil center of Kirkuk, easing chronic electrical shortages in the area. The $75 million natural gas–fired power station was the first of its kind built since the Persian Gulf War. The Chinese company also signed a $200 million contract to construct the first phase of a new 1,200-megawatt power plant in Samarra, 100 kilometers north of Baghdad, and was awaiting U.N. approval to start. Moreover, Beijing has intimated that once sanctions are lifted, it would be willing to resume arms sales and production assistance to Iraq.[55]

The energy relationship may reinforce military and political ties between China and Iran.

Further to the east, China has made overtures to Tehran to gain access to Iranian oil and natural gas fields. In 1997, CNPC began talks with Iran's National Oil Company for a joint venture to explore for oil in offshore blocks in Iran as well as in third countries. Progress was slow, but eventually Dagang Oil Field Company, a PetroChina subsidiary, signed a series of contracts worth more than $12 million to drill or service over seventy oil and gas wells, while Chinese oil companies were invited to bid on forty-three Iranian exploration projects in August 1998. In a separate agreement a year later, Chinese shipbuilders signed contracts valued at $400 million to build oil tankers for Iran.[56]

Some observers have speculated that the energy relationship between China and Iran would reinforce their military and political ties. Since the 1980s, Beijing has sold Tehran a large amount of military equipment as well as dual-use technology related to the manufacture of nuclear, biological, and chemical weapons. In October 1997, China pledged to end transfers of dual-use technology, but has continued to help Iran build a missile factory at Isfahan and improve its Zelzal-3 missile program with guidance, gyroscope, and solid fuel technology. In addition, Chinese engineers are reportedly working in Iranian missile fabrication plants.[57]

Cross-investment in the Energy Sector," *Middle East Policy*, June 2000; pp. 129–30; and Hassan Hafidh, "Iraq and China Sign $1.2 Billion Oil Contract," Reuters, June 4, 1997.

[55] Ibid.; Leon Barkho, "Chinese Power Station Built in Iraq," Associated Press, Nov. 2, 2000; Johnson, "China Searches for Stable Sources of Energy Abroad"; and Daniel L. Byman and Roger Cliff, *China's Arms Sales: Motivations and Implications* (Santa Monica, Calif.: RAND, 1999), pp. 13–14, 51.

[56] "CNPC Wins $85 Mln Gas Drilling Contract in Iran, Xinhua Says," *Bloomberg News*, Aug. 21, 2000; Xu Yihe, "China's Dagang Oil Signs Pete Well Svc Pact with Iran," *Dow Jones Newswires*, Feb. 21, 2000; Hooman Estelani, "A Study of Iran's Responses to U.S. Economic Sanctions," *Middle East Review of International Affairs*, Sept. 1999; Wu Qiang and Xian Xuemei, "Zhongguo yu Zhongdong de nengyuan hezuo" (China's dependence on Middle East energy), *Zhanlue yu guanli*, no. 2, 1999, pp. 49–52; John Calabrese, "China and the Persian Gulf: Energy and Security," *Middle East Journal*, Summer 1998, pp. 351–66; and "CIA Predicts Surge in Chinese Crude Oil Imports," *Jane's Defence Weekly*, Jan. 21, 1998.

[57] It should be noted that the Iranian military generally distrusted Chinese equipment during the Iran-Iraq War and tried to avoid using it in combat. International Institute for Strategic Studies, *The Military Balance 2000–2001* (Oxford: Oxford University Press, 2000), p. 132; Elaine Monaghan, "China Escapes US Arms Sanctions, Iran/

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Almost unnoticed in May 1997, the Great Wall Drilling Company, a CNPC subsidiary, finalized its first drilling contract in Sudan. CNPC bought a 40 percent stake in Sudan's Greater Nile Oil Project, which included three exploration blocks, a 1,500-kilometer pipeline, and a refinery. The other stakeholders included Malaysia's Petronas with 30 percent, Canada's Talisman Energy with 25 percent, and Sudan's state-owned oil company with 5 percent. By April 2000, Great Wall had invested $700 million and drilled some fifty-seven oil wells, and in October renewed its drilling contract for the three blocks and secured a $42 million drilling contract for three drilling rigs and dozens of new oil development wells.[58]

In 1997, CNPC also began joint exploration of the Chad Basin with the Nigerian National Petroleum Company and bought two blocks in the Niger River delta the following year. In Angola, it signed a letter of intent for joint construction of a refinery in Lobito City.[59] And in Venezuela, it bought the Caracoles block for $241 million and the Intercampo Norte block for $118 million in June 1997. The combined production of the two fields is estimated at 9,400 barrels of oil per day. For both blocks, the Chinese company's bids were twice as high as competitors' offers. As John Imle, Jr., a Unocal executive, reflected, "They're acquiring a lot of crude oil resources and they're certainly very liberal about what they're paying."[60]

Even as Chinese oil companies look abroad, Russian firms have looked to China to find a market for the vast oil and natural gas reserves of the Russian Far East. China and Russia agreed on joint development of the Kovyktinskoye gas field, near Lake Baikal, in 1997, and pledged to build a pipeline to China. The $8–12 billion deal, it is hoped, will eventually provide China with 20–30 billion cubic meters of gas per year via a massive pipeline stretching 3,400 kilometers through Russia, Mongolia, and China's Jiangsu province. From there, some plans envision extending the pipeline underwater another 1,200 kilometers to South Korea and Japan. Initial construction was slated to begin in 2003.[61]

Pakistan Hit," Reuters, Nov. 21, 2000; Byman and Cliff, *China's Arms Sales*, pp. 8–13, 51; Li Weijian, "Petroleum from the Middle East: China's Strategic Option in the 21st Century," *Zhongguo Pinglun*, Mar. 3, 1999, p. 77; Shirley A. Kan, *Chinese Proliferation of Weapons of Mass Destruction: Background and Analysis* (Washington, D.C.: Congressional Research Service, Sept. 13, 1996); and Karl W. Eikenberry, *Explaining and Influencing Chinese Arms Transfers*, McNair Paper 36 (Washington, D.C.: Institute for National Strategic Studies, National Defense University, 1995), pp. 21–28, 33–40.

[58] "China CNPC Unit Wins Sudan Oil Well Contract—Source," *Dow Jones Newswires*, Oct. 31, 2000; Owen Brown, "China's Foreign Ministry Denies Supporting Sudan Army," *Dow Jones Newswires*, Aug. 30. 2000; Xu, "China and the Middle East: Cross-investment," p. 129; and "Sudan Pipeline Operational," *Petroleum Economist*, Aug. 26, 1999.

[59] Strecker Downs, *China's Quest for Energy Security*, pp. 21–23.

[60] Rashid and Saywell, "Beijing Gusher." See also Strecker Downs, *China's Quest for Energy Security*, pp. 21–23; and Joyce Liu, "Strained at Home, China Reaches Out for Foreign Oil," Reuters, June 16, 1997.

[61] "China Economy: Oil Pipeline, Rail Link Planned," *EIU*, Feb. 18, 2000; Mark Burles, *Chinese Policy towards Russia and the Central Asian Republics* (Santa Monica, Calif.: RAND, 1999), p. 25; Keun-Wook Paik and Jai-Yong Choi, "Pipeline Gas Trade between Asia and Russia, Northeast Asia Gets a Fresh Look," *Oil and Gas Journal*, Aug.

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One of the great challenges has been finding enough demand for the natural gas in northern China to make the pipeline viable, and progress to date on the project has been slow. Nonetheless, with continued energy price reform in China, the pipeline from Irkutsk Oblast has a good chance of becoming profitable. Yukos, Transneft (the Russian oil-pipeline monopoly), and Chinese Oil and Gas undertook a feasibility study for the Kovyktinskoye-to-Beijing segment of the pipeline in early 1999. In October of that year, Korea's Kogas elected to participate in the pipeline project. In addition, Yukos, Transneft, and China National United Oil Corporation agreed in early 2000 to build an oil pipeline from Irkutsk to China as well. "Oil analysts have praised Russia-China pipeline projects because Russia has long needed additional export routes and China is a fast growing market."[62]

In sum, as Hu Angang, an energy analyst at the Chinese Academy of Science in Beijing, attested: "China's current policy is to make the best use of international resources. China will be even more active [in] international markets because there is not so much [recoverable] oil at home."[63]

Powering China's Emergence

Beijing no doubt considers dependence on foreign energy sources to be a vulnerability that could be exploited by other countries. To mitigate that possibility, some have suggested that China might elect to acquire energy sources in the region by force, particularly those in the South and East China Seas, where territorial disputes exist between China and its neighbors. However, current Chinese leaders, though mindful of their country's long tradition of energy self-reliance, are acutely aware that the legitimacy of their rule requires sustained economic growth, and that growth would be imperiled by regional instability.[64]

18, 1997, p. 41; "Chernomyrdin Meets with Li Peng, Pipeline Agreement Signed," *Moscow Interfax*, June 27, 1997; and "China to Sign $10 bn Gas Deal," *Asia Times*, June 18, 1997.

[62] Other proposed pipeline routes from Russia originate from Yakutsk and Sakhalin Island. Quotation from "Pipeline Will Move Siberia Crude to China," *Oil and Gas Journal*, June 12, 2000, p. 75. See also "Yukos to Organize Consortium for Construction of Oil Pipeline to China," *Russian Oil and Gas Report*, Mar. 31, 2000; "Kogas to Take Part in Gas Pipeline Construction Project Linking Kovyktinskoye Gas Field to China," *Russian Oil and Gas Report*, Oct. 11, 1999; *Country Report: China and Mongolia, 2nd Quarter 1999*, p. 33; Felix K. Chang, "The Russian Far East's Endless Winter," *Orbis*, Winter 1999, pp. 88–92; Gaye Christoffersen, "China's Intentions for Russian and Central Asian Oil and Gas," *National Bureau of Research Analysis*, Mar. 1998; Johnson, "China Searches for Stable Sources of Energy Abroad"; Matthew Sagers and Jennifer Nicoud, "Development of East Siberian Gas Field and Pipeline to China: A Research Communication," *Post-Soviet Geography and Economics*, May 1997, pp. 288–94; and Keun Wook Paik, *Gas and Oil in Northeast Asia* (London: Royal Institute of International Affairs, 1995), pp. 146–70.

[63] Liu, "Strained at Home, China Reaches," Reuters, June 16, 1997.

[64] "Japan and China Eye Each Other Warily—As Usual," *Economist*, Sept. 2, 2000; "China to Import Crude, Not Products: Energy Security Analysis," *Asia Pulse*, Jan. 20, 2000; International Energy Agency, *China's Worldwide Quest*, pp. 1–85; "China's New Petroleum Structure Continues to Evolve under Reform," *Oil and Gas Journal*, Oct. 6, 1997, pp. 23–29; and "Oil Security Risk, Wolf at Door?" *China Oil, Gas and Petrochemicals*, May 15, 1997, pp. 1–5.

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As the evidence has shown, China does have access to adequate energy resources, even if they are not as secure as Beijing might desire. Despite many delays and setbacks, foreign oil companies, particularly BP Amoco and Royal Dutch/Shell, continue to proceed with plans to explore and develop Chinese resources. Moreover, their alliances with China's own majors have given the latter an opportunity to strengthen their energy base at home and expand internationally. To be sure, Chinese oil companies will face challenges as they contend with old debt and high operating expenses, but considering its communist past, Beijing's commitment to market reforms in its oil industry has been vigorous.[65]

Chinese investment abroad and partnerships with other governments to obtain foreign energy resources has been equally active. As Paul McDonald, the managing director of a Hong Kong–based oil consultancy, commented, Beijing believes "that there are too many hostile countries around, the United States in particular, which are prone to boycott against countries." Hence, "[j]oint development of overseas resources is one way of securing future [energy] supplies." But the Chinese navy's inability fully to control its sea lanes leaves the country's maritime supply lines vulnerable to interdiction, and as a result, Beijing has encouraged the development of land-based energy supply routes from Central Asia and Russia. While some may not prove economically viable, those from the Russian Far East remain promising. At worst, as suggested by Guang Pan, a scholar at the Institute of European and Asian Studies in Shanghai, the government would have to subsidize pipeline development.[66]

Nothing in this analysis indicates that Beijing will forever refrain from the use of force in East Asia. Nor does it imply that the military procurement of East Asian countries or the continued American presence in the region is unjustified. But it does suggest that China will not undertake military action solely over energy resources unless and until its access to those it has already developed through commercial agreements and diplomacy is seriously threatened. Indeed, the long-standing border dispute between China and Vietnam in the Gulf of Tonkin, where the *Kantan III* once explored for oil and natural gas, was settled in December 2000—not with a naval clash, but with a political accord.[67]

[65] Trevor MacMurray, "The Challenge Facing China's State-Owned Enterprises," *McKinsey Quarterly*, no. 2, 1994, pp. 63–69.

[66] Quotation from *Country Report: China and Mongolia, May 2000*, p. 34. See also Guang Pan, "China's Success in the Middle East," *Middle East Quarterly*, Dec. 1997, p. 38.

[67] "China and Vietnam Sign Accord Settling Gulf of Tonkin Dispute," Reuters, Dec. 26, 2000.

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In Praise of Indifference toward India's Bomb

by Gaurav Kampani

In the aftermath of India's May 1998 nuclear tests, two major policy challenges confront the U.S. government and the global nonproliferation community. The first is simply how to deal with a de facto nuclear weapon state unfettered by regional arms-control arrangements or the Nonproliferation Treaty (NPT). The second is to search for ways to promote stability and thereby reduce nuclear risks in South Asia, one of the most volatile regions of the world.

Tackling the first challenge is significant because the Indian tests and decision to deploy a nuclear deterrent violate international norms against proliferation. India's quest for nuclear status is likely to set a precedent for other potential proliferators. More importantly, the manner in which the global arms-control community led by the United States manages the challenge posed by India's aspirations could either help to repair the breach in the nonproliferation norm or invite future defections from the NPT, leading to a breakdown of the regime.

The second challenge stems from the potential use of nuclear weapons in a conflict. India and Pakistan alike have organizational problems related to command and control of their fledgling nuclear arsenals, share a common border and bitter historical rivalry, and are participants in a protracted and bloody low-intensity war over Kashmir.[1] Given that the two states have fought four conventional wars over the past fifty years, the possibility of

[1] For an excellent analysis of the difficulties stemming from the acquisition of limited nuclear capabilities, see Neil Joeck, "Maintaining Nuclear Stability in South Asia," Adelphi Paper no. 312 (New York: Oxford University Press, 1997).

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a fifth war leading to a nuclear exchange remains high.[2] Such an outcome would break the post–World War II taboo against the use of nuclear weapons and "conventionalize" them.

The U.S. foreign policy community has so far been divided over how to deal with the South Asian realities. Nonproliferation purists would like the U.S. government to take no steps likely to compromise the sanctity of the nonproliferation regime. But South Asian regional specialists are more pragmatic, preferring that the United States recognize the existing nuclear reality and proceed from there.[3]

The Clinton administration's policy toward India after May 1998 straddled these approaches. First, it imposed economic and technological sanctions mandated by the Nuclear Proliferation Prevention Act of 1994.[4] Simultaneously, it began a high-level dialogue with New Delhi to exploit the post–Cold War convergence in Indo-U.S. economic and political interests. Administration officials also began an informal process of disaggregating the nuclear and non-nuclear components of their India policy with the objective of balancing the U.S. commitment to global nonproliferation norms with other American interests in South Asia.[5] Recognizing that nuclear rollback was impossible, Clinton's officials tried to achieve the more modest goal of corralling India's strategic capabilities. Their policy comprised four benchmarks: strategic restraint on weaponization and deployment of nuclear forces; India's accession to the Comprehensive Test Ban Treaty (CTBT); a South Asian moratorium on fissile material production pending the negotiation of a multilateral Fissile Material Cutoff Treaty (FMCT); and strengthened export controls in nuclear and missile technologies.[6]

To achieve these limited goals, Washington embarked on the most comprehensive nuclear dialogue with New Delhi in the history of Indo-

[2] Pakistan and India fought conventional wars in 1948, 1965, and 1971. The fourth is the limited conventional war that was fought along the northern part of the Line of Control in Kashmir between May and July 1999. See Jasjit Singh, ed., *Kargil 1999: Pakistan's Fourth War for Kashmir* (New Delhi: Knowledge World, 1999); and *From Surprise to Reckoning: The Kargil Review Committee Report* (New Delhi: Sage Publications, 1999).

[3] The debate is best reflected in the Council on Foreign Relations' Independent Task Force Report, *After the Tests: U.S. Policy toward India and Pakistan*, Sept. 1998 (http://www.foreignrelations.org).

[4] On May 13, 1998, President Clinton imposed economic and military sanctions on India under Section 102 of the Arms Export Control Act (AECA). See the White House, "Presidential Determination No. 98-22," May 13, 1998; and the White House, "India Sanctions," May 13, 1998 (both at http://www.pub.whitehouse.gov). See also the testimony of U.S. under secretary of commerce for international trade David L. Aaron before the House Committee on International Relations, Subcommittee on Asia and the Pacific, "India-Pakistan Nuclear Proliferation," U.S. Department of State, June 18, 1998 (http://www.state.gov).

[5] See the testimony of the U.S. assistant secretary of state for South Asian affairs, Karl F. Inderfurth, before the Senate Foreign Relations Committee, Subcommittee on Near East and South Asia, June 3, 1998; and Inderfurth's remarks at the Foreign Press Center in Washington, D.C., "U.S. Relations with India and Pakistan After Nuclear Testing," June 26, 1998, both at the State Department website.

[6] U.S. deputy secretary of state Strobe Talbott, "Dialogue, Democracy, and Nuclear Weapons in South Asia," address at the Conference on Diplomacy and Preventive Defense, cosponsored by the Carnegie Commission on Preventing Deadly Conflict and the Stanford-Harvard Preventive Defense Project, Stanford University, Palo Alto, Calif., Jan. 16, 1999, State Department website.

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American relations and eased some sanctions to encourage Indian leaders to comply with the nuclear benchmarks.[7] But after ten rounds of talks between U.S. deputy secretary of state Strobe Talbott and Indian minister of external affairs Jaswant Singh, the Indo-U.S. nuclear dialogue remains at an impasse, although some progress was made in the area of export controls. As a nonsignatory to the NPT, India continues to insist on its right to deploy an operational minimal deterrent, balks at signing the CTBT, and flatly rules out a moratorium on fissile material production prior to the negotiation of the FMCT.[8] In sum, the Clinton administration's policy of limited engagement failed to achieve any of its objectives.

The reason for that failure is not far to seek. Simply put, the Clinton administration did not understand that New Delhi's nuclear weapons program is open-ended.[9] After decades of fractious debate the Indian government finally made up its mind to go nuclear and thereby gain recognition as a peer from the de jure nuclear states. There is thus little common ground for reconciliation, since the U.S. position as one of the guardians of the nonproliferation norm and guarantor of the nonproliferation regime prevents it from recognizing a new nuclear peer.

The Clinton administration's policy of limited engagement achieved none of its objectives.

But the Clinton administration's policy of limited engagement did worse than reach this inevitable impasse. The process of informally disaggregating ties into nuclear and non-nuclear strands sent mixed signals to India's nuclear advocates, who misinterpreted the high-level attention accorded to New Delhi as indirect acknowledgment of the correctness of India's nuclear policy. Worse still, during the negotiations U.S. officials made the mistake of tacitly recognizing India's nuclear status without receiving any assurance of reciprocal nuclear restraint on New Delhi's part. As a result, India's emboldened nuclear advocates concluded that if they pressed ahead with an operational nuclear capability, some future U.S. administration would

[7] In October 1998, Congress gave the president authority to waive sanctions for one year under the India-Pakistan Relief Act of 1998. On November 7, President Clinton eased some economic sanctions against India. See the statement by the press secretary, "Easing of Sanctions against India and Pakistan," Nov. 7, 1998, White House website. Section IX of the Department of Defense Appropriations Act, 2000, passed in October 1999, gave the president authority to waive sanctions applied to India and Pakistan affecting nonmilitary programs, foreign assistance, commercial financing, and export-import financing; the president extended partial sanctions relief to India soon thereafter. In December 1999, 51 Indian entities were removed from the U.S. Bureau of Export Administration's export control sanctions list. See "Presidential Determination No. 2000-04," Oct. 27, 1999, White House website; "Dual-Use Export Control Sanctions: India and Pakistan," Bureau of Export Administration—U.S. Department of Commerce, Mar. 17, 2000 (http://www.bxa.doc.gov).

[8] See "Interview with Indian Minister of External Affairs: Jaswant Singh," *Hindu* (Chennai), Nov. 29, 1999 (http://www.the-hindu.com).

[9] Referring to the Indian government's decision to acquire a minimum deterrent, Singh explained, "This 'minimum,' however, cannot be a fixed physical quantification; it is a dynamic concept but firmly rooted in the strategic environment, technological imperatives, and national security needs. . . . [T]he actual size, components, deployment, and employment of nuclear forces will be decided [after] taking into account all these factors." Ibid.

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formally recognize their fait accompli. Rather than arresting proliferation in South Asia, therefore, the Clinton administration's policy only stoked India's nuclear ambitions and increased the incentives for further vertical proliferation in the region.

Another course of action with a far greater chance of success is available to the new U.S. administration. But its wisdom will not be readily apparent to us unless we first come to grips with the political and institutional dynamics propelling India's nuclear program.

Why India Wants Operational Nuclear Weapons

The Hindu-nationalist Bharatiya Janata Party (BJP) government in India made up its mind to build and deploy a minimum nuclear deterrent. It has not defined "minimum," however, and feels no urgency to do so. Meanwhile, the nuclear deterrent has acquired different meanings for the various actors and institutions that drive policy in New Delhi. The four principal constituents of the nuclear coalition are conservative politicians and the Hindu right wing, strategic analysts outside the government, civilian nuclear and defense scientists (often collectively described as the "strategic enclave"), and the Indian armed services. For conservative Hindu politicians, nuclear weapons are a muscular symbol of an increasingly assertive and resurgent Hindu society.[10] For strategic analysts outside government, the decision in favor of an overt nuclear posture (after nearly four decades of waffling) symbolizes their shift away from woolly-headed Nehruvian idealism to a realist conception of international relations.[11] For the civilian nuclear and defense scientists, weaponization is proof of their scientific, technological, and organizational excellence, covers up their failures in other areas, and provides a means to build coalitions with the politicians and the armed services.[12] Finally, India's armed services have found a place in the nuclear coalition for the first time since the nation won independence in 1947. The armed services are concerned about potential nuclear threats from Pakistan and China and anxious to take over professional management of India's fledgling arsenal.[13] More significantly, the armed services' advocacy of nu-

[10] Interview with Prime Minister Atal Behari Vajpayee on India's nuclear tests, *India Today*, May 15, 1998 (http://www.indianembassy.org).

[11] For example, see Amitabh Mattoo, "India's Nuclear Policy in an Anarchic World," in *India's Nuclear Deterrent: Pokhran II and Beyond*, ed. Amitabh Mattoo (New Delhi: Har Anand Publications, 1999), pp. 9–33; also see Jasjit Singh, "Why Nuclear Weapons," in *Nuclear India*, ed. Jasjit Singh (New Delhi: Knowledge World, 1998), pp. 9–25.

[12] Itty Abraham, "Fetish, Secrecy, National Security," in *The Making of the Indian Atomic Bomb: Science, Secrecy, and the Postcolonial State* (London: Zed Books, 1998), pp. 155–66.

[13] I have mainly relied on personal interviews and writings of retired military officers. Nevertheless, the services' perspective can also be gleaned from statements made in the post–May 1998 period by sitting service chiefs. See "New Indian Army Chief to Prioritize Nuclear Tactics for Army," *Times of India* (New Delhi), Sept. 30,

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clear weapons is fueled by interservice competition and rivalry with the civilian bureaucracy, which has historically controlled access to India's political leadership.[14]

Emboldened by this powerful coalition, the Indian government is now committed to acquiring an operational and visible nuclear capability. This is evident from the draft of India's nuclear doctrine, which was released in August 1999.[15] Although public criticism forced the government to distance itself from some of the more ambitious proposals contained in the draft, India's foreign minister has stated publicly that "India shall maintain a credible minimum nuclear deterrent and shall undertake all measures to ensure its credibility." Implicit in the emphasis on credibility is the assumption that an extant nuclear force will be usable and survivable, neither of which can be achieved without acquiring an operational capability.[16]

The abandonment of restraint signals the Vajpayee government's acceptance of the nuclear advocates' view that India's earlier adherence to "nonweaponized" deterrence was nothing more than a strategic bluff. Nuclear advocates in New Delhi had long argued that the nonweaponized stance left India with a nuclear capability that was merely symbolic and existed only on paper. Worse still, successive Indian governments failed to engage in careful deliberation over India's nuclear choices, but blundered into accepting the nonweaponized status quo by default. Either they did not think through the challenges of nuclear deterrence or else they assumed that the mere possession of a few disassembled nuclear weapons would suffice to deter nuclear threats from Pakistan and China.[17] Central to the above conclusion is the advocates' presumption that the successful practice of nuclear deterrence requires both the possession of operational nuclear forces and the demonstration of political will to use them. In India prior to May 1998, both conditions were absent.[18] Although India did possess air-deliverable nuclear weapons before that time, until the advent of the BJP no Indian government ever publicly articulated a doctrine for their use.[19] Furthermore, the absence

2000 (http://www.timesofindia.com); "IAF Draws Up Nuclear Strategy," *Times of India*, Oct. 8, 2000; Raja Menon, *A Nuclear Strategy for India* (New Delhi: Sage Publications India, 2000), pp. 122–283; Vijai K. Nair, "The Structure of an Indian Nuclear Deterrent," in *India's Nuclear Deterrent*, pp. 65–107.

[14] For a historical narrative of the civilian-military divide in postcolonial India, see Stephen P. Rosen, "India and Its Army after Independence," in *Societies and Military Power: India and Its Armies* (Ithaca, N.Y.: Cornell University Press, 1996), pp. 197–257.

[15] "Draft Report of National Security Advisory Board on Indian Nuclear Doctrine," Discover India, Aug. 17, 1999 (http://www.indiagov.org/govt/nucl.htm); "Opening Remarks by National Security Adviser Mr. Brajesh Mishra at the Release of Draft Indian Nuclear Doctrine," Discover India, Aug. 17, 1999.

[16] "Interview with Jaswant Singh."

[17] Brahma Chellaney, "Nuclear Deterrent Posture," in *Securing India's Future in the New Millennium*, ed. Brahma Chellaney (Hyderabad: Orient Longman, 1999), pp. 141–51; Menon, "Pure Strategy and Technology," in *A Nuclear Strategy for India*, pp. 171–73.

[18] Chellaney, "Nuclear Deterrent Posture," pp. 141–51.

[19] India apparently began weaponizing air-deliverable nuclear weapons in 1989 and the Indian air force carried out toss-bombing maneuvers using a modified Mirage 2000 bomber as early as May 1994. Raj Chengappa,

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of a visible nuclear command-and-control system, constitutional protocols to guide leadership succession in the event of a successful decapitation strike, and damage-control plans for nuclear war provides circumstantial evidence that no Indian government seriously considered using nuclear weapons.[20] In the operational sense defined by the advocates, therefore, India's existential deterrent lacked credibility.

The Indian government's quest for an operational capability also embodies a challenge to the premise that a nonweaponized posture is far more stable in a crisis than is a deployed capability. The argument was made in the early 1990s that emerging nuclear powers such as India and Pakistan treated the demands of nuclear weapons very differently from the established nuclear weapon states. The emerging powers practiced nuclear deterrence by signaling their ability to assemble and deploy nuclear weapons quickly. The time required for assembly, deployment, and use of nuclear weapons would not only give both countries an opportunity to exercise restraint, but also provide for international mediation to try to head off a potential nuclear war.[21]

However, the new Indian thinking dismisses the orthodox argument that nonweaponization is stabilizing and considers it an intellectual import from the West with minimal applicability in South Asia. Indian critics hold that a nonweaponized strategy can be stabilizing only during times of peace, when the nuclear threshold is high and the need for stability minimal, or perhaps when one nation enjoys a monopoly, as Israel does in the Middle East. Conditions of peace and monopoly reduce the potential for panic, hasty deployment, or nuclear use resulting from miscalculation or accident. Absent these conditions, a nuclear capability held in recess has the potential to trigger the very instability that it is avowedly designed to prevent.[22]

The emerging consensus in New Delhi, therefore, is that India cannot anchor nuclear deterrence in a phantom capability. There is no special "third way" or oriental wisdom to practicing nuclear deterrence. Nuclear weapons impose a logic of their own, and in order for India to practice deterrence successfully it must reproduce the strategic culture, technological systems, and some organizational approaches of the de jure nuclear weapon states.[23] In embracing the latter goal, the Indian government ironically has decided to adopt the retro-orthodoxy of classical nuclear deterrence theory dating from the 1960s.

Weapons of Peace: The Secret Story of India's Quest to Be a Nuclear Power (New Delhi: HarperCollins Publishers India, 2000), pp. 321–36, 382–84.

[20] K. Subrahmanyam, "Narasimha Strategy," *Economic Times* (New Delhi), Oct. 12, 1993; K. Subrahmanyam, "Articulating Our Nuclear Policy," *Economic Times*, June 15, 1994.

[21] George Perkovich, "A Nuclear Third Way in South Asia," *Foreign Policy*, Summer 1993, pp. 96–98.

[22] Chellaney, "Nuclear Deterrent Posture," pp. 141–51.

[23] Menon, "Pure Strategy and Technology," pp. 171–73.

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Reconciliation with the Nonproliferation Regime?

In the post–May 1998 period, the Clinton administration made corralling India's nuclear capabilities one of the key planks of its South Asian nuclear agenda. Administration officials tried to shepherd India into the nonproliferation regime by persuading it to institute tougher export-control laws and accept qualitative and quantitative caps on its nuclear capabilities.[24] However, these benchmarks remain unmet, and it is now amply clear that there was never any realistic hope of persuading India to sign the NPT as a non–nuclear weapon state. Opposition to the NPT regime is now part of India's postcolonial identity. One of the principal factors driving India's nuclear weaponization is the doctrine of equality, which means that India would accept a nuclear rollback only as part of a globally negotiated, time-bound, and verifiable disarmament regime. Unless that happens, India will build, deploy, and maintain a minimal, survivable, and credible deterrent.[25] This doctrine is a key reason for India's rejection of the NPT, as well as for its decision to blast its way into the nuclear club in 1974 and reiterate its de facto nuclear status in May 1998.

Additionally, the Clinton administration tried to persuade India to sign the CTBT and accept a unilateral freeze on fissile material production. But it is now evident that both goals remain as distant as ever and that no government in New Delhi is likely to sign the CTBT in the near future. Indeed, even if one did, the processes of ratification and deposition of the instruments of ratification would be disaggregated and drawn out. Neither is India likely to accept unilateral caps on its fissile material production capabilities in the absence of a multilaterally negotiated FMCT.[26]

In the immediate aftermath of the May 1998 tests, there were hopes that India would sign the CTBT. It was, after all, the fear of losing the option to test that had supposedly forced India to reject that agreement in 1996, but the 1998 testing program removed that roadblock.[27] The Vajpayee government took a positive view of the CTBT and went so far as to declare a moratorium on further testing. Foreign minister Jaswant Singh interpreted that decision as a sign of India's de facto adherence to the treaty, claiming that all that remained was India's formal signature.[28] Vajpayee repeated these reassurances before the U.N. General Assembly in September 1998 and again two years later, stating that India would not block the treaty's entry into force.[29]

[24] Talbott, "Dialogue, Democracy, and Nuclear Weapons."

[25] Jaswant Singh, "Against Nuclear Apartheid," *Foreign Affairs*, Sept./Oct. 1998, pp. 41–52.

[26] "Interview with Jaswant Singh."

[27] Gaurav Kampani, "The CTBT: Freezing India on the Nuclear Learning Curve," *Swords and Ploughshares*, Spring 1997, pp. 97–108.

[28] "India's Moratorium Is De-facto Acceptance of CTBT: Jaswant," *Hindustan Times* (New Delhi), Nov. 26, 1999 (http://www.hindustantimes.com).

[29] "Prime Minister's Address to the 53rd UN General Assembly," Ministry of External Affairs, Sept. 24, 1998

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However, deep divisions among the government, the opposition parties, and the strategic community have slowed efforts in India to ratify the agreement. Moderates within and outside the government, led by the prime minister and his foreign minister, support the CTBT. They believe that India has access to three tested nuclear weapon designs and that Indian scientists have sufficient data to conduct subcritical and computer simulation experiments as permitted under the treaty. They also argue that signing the treaty would end India's international isolation, improve Indo-U.S. relations, and help in getting the remaining economic and technological sanctions lifted.[30]

Nevertheless, Indian opposition parties and skeptics in the strategic community are opposed to the CTBT on political and technical grounds. The Congress, India's main opposition party, has revived the ideological linkage between the CTBT and universal nuclear disarmament.[31] The U.S. Senate's rejection of the CTBT has also raised misgivings in India about the political efficacy of signing it.[32] But beyond political arguments, several Indian strategic analysts believe that India probably needs to test again to verify and weaponize the design of the thermonuclear device. Informed by seismological data published by U.S. scientists, these experts suspect that Indian scientists overstated the yield of the thermonuclear device and that the test was a failure.[33] Skeptics are also unconvinced that Indian scientists would have been able to collect sufficient data from six tests to be able to conduct subcritical tests or run computer simulations with confidence. Pointing to the examples of the United States and the former Soviet Union, the critics argue that both countries conducted numerous test explosions before relying on lab tests.[34] At a minimum, therefore, they would like the government to form an independent committee to conduct a technical audit of the May 1998 tests.[35]

The critics also object to the U.S. Stockpile Stewardship Program. They fear that programs such as these will permit the more advanced nuclear

(http://w3.meadev.gov.in/speeches/unspeech.htm); "Prime Minister Atal Bihari Vajpayee's Address to the Millennium Summit at the United Nations," Ministry of External Affairs, Sept. 8, 2000 (http://w3.meadev.gov.in/speeches/un-summit.htm).

[30] "India Will Not Obstruct CTBT Coming into Force, Says Jaswant," *Rediff on the Net*, Feb. 8, 1999 (http://www.rediff.com); C. Raja Mohan, "Towards a CTBT Consensus," *Hindu*, Nov. 9, 1999; Kanti Bajpai, "Policy on CTBT," *Hindustan Times*, Dec. 16, 1999; C. Raja Mohan, "An Unfolding Indo-U.S. Waltz," *Hindu*, Dec. 23, 1999.

[31] C. Raja Mohan, "Rajiv Gandhi and the CTBT," *Hindu*, Feb. 4, 1999; Muchkund Dubey, "Congress and India's Nuclear Policy—I and II," *Hindu*, June 19 and 20, 2000. Besides Congress, other political parties have also expressed opposition to the CTBT. See "Mulayam Opposes Signing of CTBT," *Hindu*, Dec. 21, 1999; "PM Rejects Left Demand for White Paper on CTBT," *Hindustan Times*, Dec. 22, 1999; "CPM Urges PM Not to Sign CTBT in Present Form," *Times of India*, Dec. 29, 1999.

[32] Brahma Chellaney, "Caution on the CTBT," *Hindustan Times*, Nov. 3, 1999.

[33] Raj Chengappa, "Is India's H-Bomb a Dud?" *India Today*, Oct. 12, 1998; "Govt. Warned against Signing CTBT in Haste," *Hindu*, July 31, 2000. For an overview of the controversy surrounding the yield of India's tests, see George Perkovich, "The Bombs That Roared," in *India's Nuclear Bomb: The Impact on Global Proliferation* (London: University of California Press, 1999), pp. 424–33.

[34] Rajesh Rajagopalan, "The Question of More Tests," *Hindu*, Dec. 17, 1999.

[35] Arun Kumar Bhatt, "Peer Review of Pokhran Tests Sought," *Hindu*, July 25, 2000.

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weapon states to introduce modifications into existing weapon designs or design a new physics package with confidence.[36] On the other hand, countries such as India that have limited testing experience and insufficient data would find themselves locked into a position of perpetual nuclear inferiority.[37] Linked to this point are suspicions that the nuclear weapon states have signed secret protocols among themselves that permit a range of activities that violate the spirit if not the text of the CTBT.[38]

However, the absence of a domestic consensus is not the sole reason behind the Indian government's hesitation in signing the CTBT. The BJP has neither invested sufficient political capital to build a national consensus in favor of the treaty nor released information to alleviate the technical doubts that put India's nuclear capabilities under a cloud. On the contrary, the BJP's foot dragging on the accord has as much to do with the absence of a domestic consensus as with the goal of driving a hard nuclear bargain with the United States.[39]

In addition, the Indian government has ruled out unilateral caps on fissile material production. This could mean two things. First, India might not have a quantity of fissile material sufficient to meet the government's internally derived requirement for the proposed minimal deterrent. Secondly, the Indian government might simply wish to hedge its nuclear bets and augment its fissile material stocks pending negotiation and ratification of the FMCT at the Conference on Disarmament in Geneva.[40] In addition, New Delhi, having announced that it will only accept a ban as part of a treaty that imposes equal obligations on all states, has agreed to participate in the FMCT negotiations only on this basis.

Export controls constitute the only area of common ground between the United States and India. India has an effective system of controls on sensitive nuclear, missile, and related dual-use technologies. It also has a record of not exporting complete nuclear or missile weapon systems or related technologies in pursuit of political, economic, or other strategic objectives.[41] India has reassured the United States that it would be willing to strengthen its export controls. Nevertheless, New Delhi harbors serious reservations about joining the Nuclear Suppliers Group or the Missile Technol-

[36] Menon, "Pure Strategy and Technology," pp. 142–45.

[37] Rajagopalan, "The Question of More Tests."

[38] Brahma Chellaney, "India's Attitude to Current Nuclear Order Ambivalent," *Hindustan Times*, Dec. 13, 1999.

[39] "Brajesh Mishra Clears Misgivings over CTBT," *Rediff on the Net*, Sept. 14, 1998; "India Cannot Be Pressured into Signing CTBT," *Times of India*, Nov. 26, 1999; "No Plan to Sign the CTBT," *Hindu*, Sept. 3, 2000.

[40] "Interview with Jaswant Singh." For the best open-source estimate of India's fissile material stocks, see David Albright, "India and Pakistan's Fissile Material and Nuclear Weapon Inventories," Institute for Science and International Security, Oct. 11, 2000 (http://www.isis-online.org/publications/southasia/stocks1000.html).

[41] Barbara Leitch LePoer, "India-U.S. Relations," *CRS Issue Brief*—IB93097, Congressional Research Service, Sept. 29, 2000.

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ogy Control Regime when its own nuclear, space, and missile sectors remain principal targets of these regimes.[42]

Despite the Indian foreign minister's publicly stated goal of reconciling India's national security objectives with U.S. nonproliferation concerns, therefore, New Delhi's real objective is to induce changes in U.S. nonproliferation policy that would entail an exception for India's nuclear ambitions.[43]

What Was Wrong with the Clinton Approach?

The Indian government is determined to acquire an operational deterrent and obtain recognition as a de jure nuclear weapon state. These goals directly contradict U.S. policy, which is to institutionalize a regime of strategic restraint in South Asia and persuade India to participate in the nonproliferation regime. Clinton administration officials had hoped that even partial achievement of their goals would help to repair the breach in the nonproliferation norm. Their policy rested on the unstated assumptions that (a) the United States, and by extension the nonproliferation regime, would be better off achieving a partial success than being confronted with a total failure; (b) the United States had few realistic options other than to recognize the existing nuclear reality in South Asia; (c) nuclear rollback was impossible; and (d) the United States had other significant political, economic, and security interests in the region that could not be held hostage to nonproliferation.[44]

Mindful of these constraints, the Clinton administration recognized India's nuclear status tacitly.[45] Administration officials equivocated by ruling out formal recognition but assuring New Delhi that, subject to certain caps, the United States would be willing to tolerate India's de facto status as a nuclear power.[46] However, equivocation turned out to be a premature and

[42] "Interview with Jaswant Singh."

[43] Ibid.

[44] These assumptions are evident in the testimonies, public comments, speeches, interviews, and statements made by Clinton administration officials in the aftermath of the tests. See Karl F. Inderfurth's testimony before the House International Relations Committee, Subcommittee on Near Eastern and South Asian Affairs, "India-Pakistan Nuclear Proliferation," June 18, 1998; Inderfurth, "U.S. Relations with India and Pakistan after Nuclear Testing"; Inderfurth, "Engaging South Asia," remarks at the Paul H. Nitze School of Advanced International Studies, Washington, D.C., Oct. 6, 1999; and Strobe Talbott, "U.S. Diplomacy in South Asia: A Progress Report," address at the Brookings Institution, Washington, D.C., Nov. 12, 1998, all at the State Department website.

[45] For example, after U.S. ambassador to India Richard Celeste publicly asked the Indian government to clarify what it meant by a minimum deterrent, Indian commentators seized on Celeste's acknowledgment of India's de facto nuclear status to press their case for weaponization and deployment. See O. P. Sabherwal, "U.S. Curbs Unacceptable on Nuclear Research," *Times of India*, Jan. 28, 2000.

[46] In November 1998, Strobe Talbott proclaimed that the United States "will not concede, even by implication, that India and Pakistan have established themselves as nuclear weapon states under the NPT." Talbott, "U.S. Diplomacy in South Asia." In January 2000, however, Talbott told the *Hindu*'s strategic affairs editor, "[W]e have never been shy about our view that universal adherence to the NPT is desirable. We are, of course, well aware of the view of the Indian government on the NPT and we recognize fully that only the Indian government has the

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bad bargain, because India resisted a nuclear compromise with the United States. Quite the contrary, since India's nuclear weapons program proved to be open-ended and any Indian policy of nuclear restraint lacked domestic support, the Clinton administration failed to achieve any of its nonproliferation goals in South Asia. Without formally saying so, the administration modified U.S. policy from nonproliferation to partial acceptance of selective proliferation in the international system. Furthermore, the administration inadvertently created an intermediate category between the non-nuclear and nuclear weapon states, which might be called nuclear possessor states.[47] By endorsing this category prematurely and without any reciprocal restraint on India's part, administration officials compromised U.S. policy and broke ranks with the nonproliferation faithful in the international community. The subtext of their message was that although the United States remains opposed in principle to proliferation, once a state crosses a certain threshold its nuclear status becomes negotiable.[48]

Defenders of the Clinton administration's approach could argue that the United States accepted this principle long ago when it reached an unspoken nuclear understanding with Israel in the early 1970s. But at that time, Israel agreed to abide by a sort of "don't ask, don't tell" policy and since then has kept its capabilities opaque and nuclear status ambiguous.[49] By contrast, India has adopted a policy that might be called "show and tell," and the damage done to the nonproliferation regime is likely to be much greater.[50] If the United States continues on the present course, it will subsequently have to accept India's further ascent up the nuclear ladder and its secondary impact on Pakistan's efforts to operationalize its own weapons. The net effect will be a loss of U.S. credibility and the erosion of the nonproliferation norm.

Apart from the negative consequences for the nonproliferation regime, the administration's policy of tacit recognition has had a far worse impact on India's domestic nuclear debate. It has strengthened the hands of

sovereign right to make decisions on what sorts of weapons and force posture are necessary for the defense of India and Indian interests. . . . [W]e wish that India would foreswear nuclear weapons . . . but we both realize that this is not on in the foreseeable future. Thus we are seeking to reconcile to the greatest extent possible our nonproliferation concerns with India's appreciation of its security requirements." "Interview with Strobe Talbott," *Hindu*, Jan. 14, 2000.

[47] According to Talbott, the "Clinton administration does not expect either country to alter or constrain its defense programs simply because we have asked it to." However, "they can meet their security requirements as we have heard them define them without further testing nuclear weapons, without producing more fissile material, and without deploying nuclear-capable missiles." Strobe Talbott, "Dealing with the Bomb in South Asia," *Foreign Affairs*, Mar./Apr. 1999, p. 120. See also "Interview: Strobe Talbott," *India Today*, Feb. 15, 1999.

[48] For an Indian understanding of post–May 1998 developments in Indo-U.S. relations, see Sanjukta Banerji Bhattacharya, "Of Vital Interests, Pokhran II and Indo-U.S. Relations," in *Nuclear India into the New Millennium*, ed. Anindyo J. Majumdar (New Delhi: Lancer's Books, 2000), pp. 271–97.

[49] See Avner Cohen, *Israel and the Bomb* (New York: Columbia University Press, 1998).

[50] See Prime Minister Atal Behari Vajpayee's statement in parliament on India's nuclear policy, May 27, 1998, Embassy of India, Washington, D.C.

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the hardliners there and prepared the ground for further vertical proliferation in South Asia.[51] These hardliners have exploited America's partial acceptance of India's nuclear status to attack the moderates and others who favor a return to some form of strategic restraint. Tacit recognition has led them to conclude that the United States is willing to accept selective proliferation in the international system.[52] This in turn has fostered the belief that India's rapid acquisition of an operational nuclear capability would influence the nonproliferation debate in Washington and help accelerate recognition of the fait accompli.[53] Worse, the hardliners have misinterpreted the post–May 1998 nuclear dialogue as an indirect endorsement of the correctness of India's nuclear policy and evidence that the United States only engages in serious negotiations when proliferators follow tough words with action.[54]

Finally, attempts to persuade India to sign the CTBT and accept a moratorium on fissile material production have created the impression in New Delhi that the premium Washington has attached to India's participation in the nonproliferation regime could be successfully leveraged to drive a hard nuclear bargain.[55] Similarly, Washington's insistence on the institution of stricter export controls has encouraged demands for the simultaneous lifting of technology embargoes on India's nuclear, space-launch, and other industries with dual-use applications as a quid pro quo for good behavior with regard to exports. After the successful test of the Agni II missile in April 1999, Abdul Kalam, the chief scientific adviser to the Indian government, told *India Today:*

> [I]f the Government approves I would like to neutralise the Missile Technology Control Regime that has tried but failed to throttle our programme. We have never supported proliferation. But other nations have used their capability like some kind of *brahmastra* (the "absolute weapon" in Hindu mythology) to threaten us. *I would like to devalue missiles by selling the technology to many nations and break [the current nuclear powers'] stranglehold.*[56]

Far from encouraging restraint, the U.S. policy of limited nuclear engagement has only encouraged New Delhi to adopt a stance of nuclear recalcitrance in

[51] For a review of the debate between Indian pragmatists and hardliners since May 1998, see Kanti Bajpai, "The Great Indian Debate," in *Nuclear India into the New Millennium*, pp. 47–74.

[52] Menon, "The Indian Nuclear Strategy and the International Environment," in *A Nuclear Strategy for India*, pp. 303–7.

[53] This position is most clearly stated in the writings of former Indian foreign secretary Muchkund Dubey, especially "The World Nuclear Order and India," *Hindu*, May 27, 1998.

[54] See Brahma Chellaney, "Woolly Diplomacy," *Hindustan Times*, May 5, 1999; Brahma Chellaney, "U.S. Friendly Policy," *Hindustan Times*, Dec. 15, 1999; Chellaney, "Challenges to India's National Security," in *Securing India's Future*, pp. 572–92; Bharat Karnad, "Counterpoise to China: India as a Geostrategic Fulcrum," *Times of India*, Sept. 6, 2000; and Bharat Karnad, "A Thermonuclear Deterrent," in *India's Nuclear Deterrent*, pp. 147–49.

[55] Jasjit Singh, "A Negotiating Chip?" *Hindustan Times*, Dec. 25, 1999.

[56] Raj Chengappa, "Boom for Boom," *India Today*, Apr. 26, 1999 [emphasis added]. See also Chellaney, "U.S. Friendly Policy," *Hindustan Times*, Dec. 15, 1999; and Chellaney, "Challenges to India's National Security."

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the hope that tough bargaining will produce higher payoffs in the long term.[57]

The Case for a Disaggregation of Issues

In the short term, the United States can do little to change the course of India's nuclear policy. After decades of fractious debate, the Indian government has made a determined decision to seek an operational nuclear capability. India is a democracy and the BJP's decision enjoys popular support. The spotlight on India's hitherto secret nuclear program has politicized it to an unprecedented degree, thereby making it difficult for the BJP, with its commitment to an aggressive brand of nationalism and security, to forge compromises that would contradict its stated goals. The concept of a minimal deterrent also has the support of all the mainstream opposition parties in parliament.[58] In addition, the proposed institutional changes in the government and incorporation of actors who were earlier denied a role in nuclear policy planning are likely to entrench the nuclear coalition and give it unprecedented influence.[59]

The United States has lost the nuclear debate with India. For three decades, successive administrations have tried unsuccessfully to persuade, badger, and browbeat India into abandoning or at least limiting its nuclear option. Washington has employed political cajolery, embargoes, and sanctions in pursuit of those objectives.[60] The positive result of that policy is that India still faces formidable economic, technological, and organizational challenges on the path to an operational nuclear force. But the United States has nearly no leverage over India's nuclear coalition. The Indian power elite's belief in the prevalence of a global nuclear paradigm, coupled with India's growing technological autonomy and higher economic growth rate, have brought New Delhi closer to acquiring an operational deterrent.

Nonproliferation agendas also have little credibility in New Delhi. The Indian government finds it impossible to reconcile the contradiction between the U.S. commitment to nonproliferation and the abiding belief of U.S. policymakers in American exceptionalism and the efficacy of nuclear weap-

[57] The *Hindu's* strategic affairs editor has dubbed the hardliners a "nuclear Taliban." See C. Raja Mohan, "India's Nuclear Taliban," *Hindu*, Nov. 26, 1998.

[58] Even the opposition Congress Party, which opposed the May 1998 tests, now supports the idea of a minimum deterrent. See "Sonia Backs NDA Stand on CTBT, Minimum Deterrence," *Times of India*, Mar. 23, 2000.

[59] The changes include the creation of a National Security Council and the position of a national security adviser to institutionalize national security planning and decision making. See "Six Member National Security Council Formed," *Times of India*, Nov. 20, 1998. The National Security Council's Advisory Board was first constituted in December 1998 and included several hardliners who played a key role in preparing India's controversial draft nuclear doctrine. See Ninad D. Sheth, "National Security Council Advisory Board Term Ends," *Hindustan Times*, Dec. 24, 1999. On the government's plans to restructure civil-military relations, see Amberish K. Diwanji, "Service HQ to Be Integrated into the Defence Ministry," *Rediff on the Net*, Jan. 5, 1999.

[60] For a historical narrative of Indo-U.S. nuclear relations, see Perkovich, *India's Nuclear Bomb*.

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ons. Indian policymakers attribute American concerns about the dangers of a nuclear war in South Asia to racial bias.[61] Moreover, the U.S. track record of selective policing of the nonproliferation regime makes the task of persuading India to exercise restraint extraordinarily difficult.

Indo-U.S. nuclear differences are thus irreconcilable in the short term. India's nuclear weapons program is open-ended, and the Clinton administration's policy of tacit recognition has had the perverse result of stoking New Delhi's nuclear ambitions further. That means that the United States now has three choices in dealing with India's proliferation challenge: containment, formal recognition, or calculated indifference.

A containment policy with the objective of nuclear rollback would have been feasible had nonproliferation been the Americans' singular objective in South Asia. But the United States has other significant political, economic, and strategic interests in India that cannot be deferred until the proliferation problem is resolved. Furthermore, although containment might be the policy choice of the nonproliferation lobby, regional specialists who harbor misgivings about single-issue approaches to foreign policy would likely oppose it.[62] Containment would also find disfavor with U.S. business groups keen to invest in the Indian market.[63] Finally, Indian-Americans are becoming an increasingly organized force in domestic U.S. politics, so Congress would probably press for a more flexible policy towards India.[64]

Nonproliferation agendas have little credibility in New Delhi.

By the same token, the United States is likely to find it impossible to recognize India's nuclear status formally without jeopardizing the entire NPT treaty regime. Neither does the United States have any overwhelming strategic interests in South Asia that would warrant the negotiation of a bilateral treaty outside the global treaty regime. Making such an exception would create a horrible precedent for other nuclear aspirants and set the stage for defections from the NPT. Although India's emergence as a counterweight to China might be a welcome development, it need not come at the price of proliferation. China does not now present an ideological, political, or military challenge to the United States on the scale of the former Soviet Union, but an Indian nuclear threat could cause China to expand its own arsenal to an unsettling level. The continuing nuclear rivalry between India and Pakistan would also offer China

[61] Singh, "Against Nuclear Apartheid."

[62] This is best highlighted in the "Open Letter to the President" issued by the Brookings Institution and Council on Foreign Relations on the eve of President Clinton's visit to South Asia in March 2000 (http://www.brook.edu/views/articles/haass/20000313.htm). More recently, analysts have begun to make a case for an Indo-U.S. strategic partnership in Asia. See Victor Gobarev, "India As a World Power: Changing Washington's Myopic Policy," *CATO Policy Analysis*, no. 381, Sept. 2000 (http://www.cato.org/pubs/pas/pa-381es.html).

[63] For example, see the views expressed by the executive director of the U.S.-India Business Council, Michael T. Clark, in "Additional and Dissenting Views," in *After the Tests*.

[64] Robert Hathaway, "Confrontation and Retreat: The U.S. Congress and the South Asian Nuclear Tests," *Arms Control Today*, Jan./Feb. 2000 (http://www.armscontrol.org).

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a pretext to continue with its policy of selling ballistic missiles to Pakistan.[65] The paramount U.S. national security goal should remain that of preventing the horizontal spread of nuclear weapons and delivery systems, which is by far the most effective way to uphold the norm against the use of nuclear weapons and the diversion of warheads to terrorists and rogue states.

Since containment and formal recognition constitute untenable policy choices, and the current policy of tacit recognition undermines the nonproliferation norm and encourages vertical proliferation in South Asia, the only practical alternative for the United States is to terminate the high-level nuclear dialogue with India. Washington should frankly adopt a policy of *nonchalance* on nuclear issues to deflate New Delhi's exaggerated sense of self-importance. Although that might appear to be an irresponsible choice, caring or appearing to care too much for nonproliferation goals only increases India's leverage and weakens the U.S. bargaining position. At the same time, the United States should avoid doing anything that might legitimize or strengthen India's nuclear coalition. Since India is likely to press ahead with its goal of acquiring an operational deterrent irrespective of U.S. engagement or disengagement, the focus of U.S. policy should shift toward insulating the nonproliferation regime from the potential aftershocks of India's nuclearization.

Finally, the United States should not ignore the larger task of expanding its ties with India. In the past, successive U.S. administrations committed the error of holding Indo-U.S. relations hostage to nonproliferation and the Cold War rivalry with the Soviet Union. This created great misgivings in New Delhi and unwittingly permitted India's nuclear coalition to hijack the proliferation debate and redefine it in terms of a postcolonial national crusade against imperialism.[66] The neglect of other common Indo-U.S. concerns also prevented the rise of countercoalitions that might have moderated the influence of the nuclear lobby in New Delhi. As a result of this past experience, the United States should now pay high-level attention to India, but disaggregate nuclear and non-nuclear issues and pursue the development of the latter independently of any differences concerning proliferation. A creative campaign to expand ties would generate goodwill, build trust, and subtly expand U.S. influence in India in the long term.

As part of this approach, the United States should simply drop its public opposition to India's nuclear weapons program. In the absence of substantial leverage to affect the course of Indian nuclear decision making, such U.S. hectoring only causes irritation in New Delhi and has the unin-

[65] See "Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions," U.S. Central Intelligence Agency, July–Dec. 1999 (http://www.cia.gov).

[66] For a historical narrative of Indo-U.S. relations during the Cold War, see Dennis Kux, *Estranged Democracies: India and the United States—1941–1991* (New Delhi: Sage Publications, 1993).

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tended effect of discrediting the antinuclear lobbyists in India since they can be easily depicted by their opponents as unpatriotic mouthpieces for American hegemony.[67]

Conclusions

India's power elites have adopted nuclearization as the vehicle for national self-expression. Nuclearization serves the goals of national identity construction, enhances the legitimacy of the Indian state, satisfies competing institutional and bureaucratic interests, and alleviates perceived security concerns. But the important point to note is that India's national leaders have adopted nuclearization as a vehicle for self-expression because they believe in a global nuclear paradigm. Inevitably, notions of national self-esteem and security have become a function of India's ability or inability to reproduce that paradigm successfully.

It is not enough for India to have demonstrated its ability to explode nuclear weapons. India's leaders pursue an operational nuclear capability because they view it as the key to attaining eventual recognition for India as a great power by the de jure nuclear weapon states, and because they consider operationalization essential to a credible deterrence. Hence the key questions before U.S. policymakers are essentially these: Is there a possibility that India's nuclear ambitions could be reconciled with U.S. nonproliferation concerns? If not, how should the United States deal with the challenge of the emergence of another nuclear weapon state in the international system? The answer to the first question, in the wake of the collapse of the Strobe Talbott–Jaswant Singh dialogue, is negative, but any answer to the second question must to some extent be premature since India's nuclear deterrent still exists largely on paper. It will probably take at least a decade before India will be able to make the transition from the status of a nuclear possessor state with a "just-in-case" capability to that of a nuclear weapon state with a "ready-for-use" capability.[68] But U.S. policymakers should not delay in thinking through the problem of crafting a long-term and sustainable approach to India's nuclear challenge. The manner in which the United States handles it will affect the future success or failure of global nonproliferation efforts.

There are no easy or obvious answers to the question of a U.S. response. Washington has only marginal influence in New Delhi, and even less with regard to India's nuclear coalition. In the absence of either direct influence or effective policy choices to arrest India's march along the proliferation path, the best recourse for the Bush administration would be to delay

[67] Chellaney, "Nuclear Deterrent Posture," pp. 154–56; Bharat Karnad, "Fuelling Strategic Fatalism," *Hindustan Times*, May 7, 1999.

[68] Neil Joeck, "Nuclear Relations in South Asia," in *Repairing the Regime: Preventing the Spread of Weapons of Mass Destruction*, ed. Joseph Cirincione (New York: Routledge, 2000), p. 138.

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India's weaponization program and deny it the legitimacy that its leaders covet. Furthermore, the focus of U.S. policy should shift toward insulating the nonproliferation regime from the potential aftershocks of India's nuclearization.

To avoid legitimizing India's nuclear program, the United States should terminate the high-level nuclear dialogue with New Delhi and adopt a policy of indifference on nuclear issues by disaggregating its India policy. This tactic would reaffirm the U.S. commitment to global nonproliferation norms and still permit deepening bilateral ties. More significantly, it would disabuse the nuclear advocates of the belief that a nuclear-armed India would be taken more seriously or recognized as a peer.

Simultaneously, the Bush administration should continue its predecessor's policy of economic and technological sanctions to reinforce the structural constraints on India's strategic weapons programs, with the objective of delaying them and forcing Indian leaders to accept restraints that otherwise might be rejected. Sanctions can at least force Indian decision makers to calculate the costs of seeking an operational nuclear capability, dispel the belief of Indian hardliners that a further nuclear buildup would yield positive benefits, and deter other potential proliferators.

In the long run, however, U.S. policy should attempt to address India's historic distrust of the global nonproliferation regime and delegitimize notions of national security that rely on nuclear arms. India's nuclear ambitions are ultimately anchored in its leaders' belief in the prevalence of a global hierarchy centered around nuclear weapons. Delegitimizing that belief system is the key to defeating India's nuclear challenge.

India's ambitions contain both danger and opportunity. The danger stems from the precedent that would be set if India were eventually to become accepted as a nuclear peer. The opportunity lies in the chance that by denying the legitimacy of India's nuclear challenge and refusing to recognize, reward, or assist it, the United States may yet forestall the advent of a second nuclear age, one in which the "absolute weapon" becomes a normal, even mandatory plaything of world politics.

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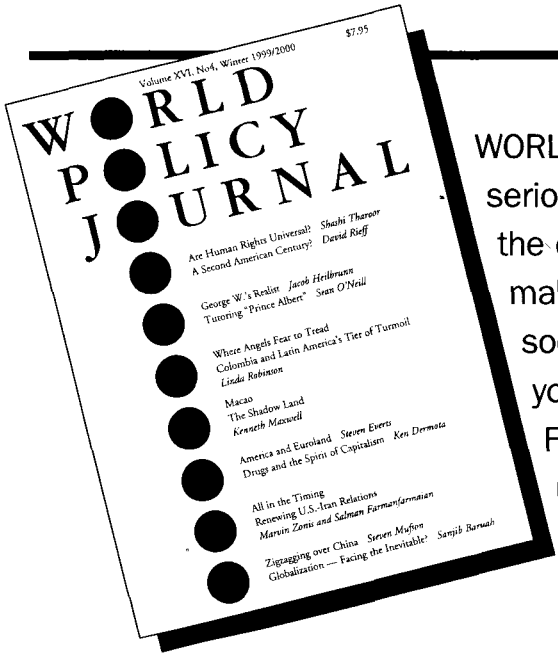
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Israelis Ponder Their Long-Term Security

by Alvin Z. Rubinstein

Like many other countries, Israel is rethinking its security. Although it was the prime beneficiary of changes in the strategic environment over the past decade, systemic transformations have also brought new uncertainties and challenges that complicate Israel's policy choices with regard to strategic aims, procurement policy, personnel development, readiness levels, and order of battle. What is more, Israeli defense and foreign policies must be formulated within a society whose institutions are riven, in virtually every case, between "new thinking" and inherited patterns of belief and behavior rooted in hard experience.[1]

During a three-month research stay in Israel, I had the opportunity to raise various security issues with a wide range of Israeli politicians, defense and foreign policy officials, journalists, academics, businessmen, and policy analysts at leading universities and research centers.[2] The views presented here owe much to the insights and information generously shared by these individuals, who for the time being must remain anonymous, and whose assessments are tentatively offered as part of a larger study of how Israelis see their long-term future.

The Altered Strategic Environment

Strategically, Israel is stronger and better equipped to cope with a potential aggressor than at any time since its establishment as an independent

[1] For useful background, see Eliot A. Cohen, Michael J. Eisenstadt, and Andrew J. Bacevich, "Israel's Revolution in Security Affairs," *Survival*, Spring 1998, pp. 48–67.

[2] I would like to express my appreciation to the Earhart Foundation for its support of this project, and would also like to thank the director and staff of the Curiel Institute for International Studies of Tel Aviv University for their support during a three-month stay in the spring of 2000.

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and sovereign country in May 1948. An effective early-warning network and a formidable air force capable of striking thousands of miles away lend credibility to a deterrent posture that includes a clandestine but widely acknowledged nuclear capability. Through its inventiveness, strong military, and significant assistance from the United States, Israel has looked forcefully, if not always farsightedly, to security.

The new strategic environment within which Israel operates is the result of a confluence of the end of the Cold War, the implosion of the Soviet Union, and the subsequent decline of Russia as a global actor. When the Soviet Union disintegrated on December 25, 1991, Moscow's Arab client states were caught on the wrong side of history: Syria, Iraq, Sudan, Libya, and Yemen not only lost their patron-protector and primary supplier of weapons, but also their hope of defeating Israel. Of Israel's major Arab protagonists, only Yasser Arafat's Palestine Liberation Organization proved adept at exploiting an American connection in the post–Cold War period.

The Soviet collapse also gave rise to the independence of eight new countries in Central Asia and Transcaucasia: Muslim Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, Kyrgyzstan, and Azerbaijan, and Christian Armenia and Georgia. As a result of these extensive territorial losses along its southern rimland, Russia is now more geographically remote from the Arabic-speaking world than ever before in its history, and the Arab-Israeli region has been reduced to tertiary importance among Moscow's national and vestigial imperial interests.

The United States, meanwhile, has been Israel's most important connection, particularly since the 1967 war. Beyond establishing immediate and invaluable diplomatic, military, and economic linkages, Washington encouraged "strategic cooperation" and a partnership of sorts. Unlike the patron-client relationships maintained by the United States and the Soviet Union in the Third World during the Cold War, the U.S.-Israeli connection is an active two-way street: each party possesses assets useful to the other.

With the end of the Cold War, Israel improved relations with previously standoffish members of NATO such as France, Spain, and Greece, which are recalibrating their traditional interests in the Arab world. In the late 1990s, Israel and Turkey went fully public with their defense cooperation, prompted by a shared distrust of Syria. And the Turkic-speaking Muslim countries of the former Soviet Union wanted to normalize relations with the Jewish state because of the high value of Israel's perceived influence in the United States. Mindful of promising circumstances, Israeli leaders have sought to retrace the path pioneered by Prime Minister David Ben-Gurion in the 1950s when he befriended the non-Arab Muslim states along the Arab world's periphery in order to deter and weaken front-line Arab states in the Arab-Israeli arena. Looking ahead from the perspective of 2000, Israel has

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largely defeated Arab efforts to isolate it: "Today Israel has diplomatic relations, at various levels, with 162 countries."[3]

By contrast, the strategic environment in the Middle East is less congenial for most of the Arab states than it was during the Cold War. Arab enemies of Israel no longer have a patron to support them against Israel or even against their Arab rivals. In an age of globalization and technological revolution, most Arab leaderships remain preoccupied with regime maintenance rather than reform. A more open and democratic society is viewed as a threat by the ruling few. With the exception of Egypt, whose military has been modernized and strengthened by the United States (one legacy of Anwar Sadat's decision to make peace with Israel in 1979), all of the Arab states have been left with severely limited military options, forcing them to scramble to replace aging Soviet weaponry and explore diplomatic alternatives. Courtesy of Saddam Hussein's grandiose ambitions, the oil-rich, militarily vulnerable Arab states of the Persian Gulf—Saudi Arabia, Kuwait, Qatar, the United Arab Emirates, Oman, and Bahrain—are the only ones that have been able to purchase American arms and rely on U.S. protection.

What is more, the example of Iraq demonstrates that modernization does not necessarily foster a more open, democratic society. No Arab state modernized more than Iraq did under Saddam Hussein, but his modernization was geared toward war. He squandered Iraq's wealth in conflict, first against Iran (1980–88) and then against Kuwait and Saudi Arabia (1990–91). But no other Arab country came so close to becoming a regional power in its own right. Despite Saddam's two failed acts of aggression, ambitious Arab rulers of the future may learn from his experience not just to develop a pervasive police force and strong military establishment, but also to acquire a missile and nuclear capability. After all, had Iraq's nuclear reactor at Osiriq not been destroyed in June 1981 by Israel's unilateral action, Saddam might have developed his own bomb—and if he had, few analysts believe that the United States would have gone to war in 1991 to liberate Kuwait.

Domestic Turbulence and Defense Planning

At a time when economic cleavages in its society are growing, Israel has become a world-class producer of sophisticated military equipment, from unmanned aerial vehicles (UAVs) to upgraded aircraft and state-of-the-art radar systems. No country in the Middle East has more fully and effectively adapted the revolution in military affairs (RMA) to its defense needs and moved to prepare its forces for cyberwarfare. Israel's high-tech sector, the most rapidly expanding part of the economy, generates impressive exports

[3] Aluf Benn, "No Pariah Engagements," *Ha'aretz*, Apr. 25, 2000. All references are to the English-language edition of *Ha'aretz*.

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and absorbs thousands of immigrants from the former Soviet Union who arrive with solid backgrounds in mathematics and science.

In a number of miniature Silicon Valleys such as Park Afek in Rosh Ha'ayin, located outside of Tel Aviv, mushrooming start-up firms are spurring consumerism and commercialism. The heady mixture of investment, innovation, marketing, and international networking is rapidly widening the economic and technological gap between Israel on the one hand and Egypt, Syria, Jordan, and Lebanon on the other. Thoughtful Israeli analysts worry that economic cooperation—as well as political and cultural interaction—between the two sides will become more difficult, even under the best of circumstances. Israel's economy and those of its Arab neighbors do not, unfortunately, complement each other. As a former high-ranking official of the Mossad, Israel's intelligence agency, observed: "Peace between Israel and the Arabs requires that economic growth and modernization take place in the Arab world. But instead we see the economic distance between them growing, and this bodes poorly for better relations—no matter what political agreements are signed."[4]

Given their military and economic situation, Israelis should feel more secure in their neighborhood; the Israel Defense Force (IDF) is confident of its ability to cope with any foreseeable threat from any Arab country or coalition of countries, and most analysts believe the existential Arab threat to the state of Israel is over. But the average person still feels insecure for a variety of reasons. First, there is uncertainty tied to different possible outcomes of the ongoing peace process and concern over a failed attempt to bring the century-long Arab-Israeli conflict to an end. Secondly, fears are growing about the stability of Israeli society in the face of growing complexities, divisions, and sociocultural tensions. One retired Israeli general said he agreed with Henry Kissinger that "Israel has no foreign policy, only domestic politics." In Israel's respective negotiations with the Palestinian Authority and Syria, he continued, "the main problems are internal and not external, and unless Prime Minister Barak is prepared to use shock treatment on the Israeli public, negotiations for a lasting peace are apt to be a waste of time."[5]

Tensions generated by the Arab-Israeli conflict spill over and permeate every institution in Israel, just as the stresses within and among the various institutions affect all aspects of the conflict. The peace process thus exposes the feudal, conflicted nature of Israeli democracy. A mirror of the change and upheaval that are occurring virtually everywhere in the world, its internal clashes color the political, religious, economic, social, ethnic, and cultural landscapes. The issues are intensely fought, waged more as wars than as civil disagreements. Because the struggles are over basic beliefs and values, they have proved difficult to resolve.

[4] Author's interview, Tel Aviv, May 22, 2000.
[5] Author's interview, Tel Aviv, May 6, 2000.

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As past dreams and sacrifices fade, "post-Zionist" utopians would reshape society according to irenic fantasies of a global community supplanting the nationalist state. The young generation, which has not known war but is weary of military service and disruption of the private pursuit of happiness, is especially lured by calls for "justice" and "peace," as if these were easily achieved or even complementary. The rights of the individual are replacing responsibilities to the community as the common norms of the public arena. One noted journalist for the prestigious newspaper *Ha'aretz* described a no-holds-barred struggle between globalization and particularism, variously defined:

> There is a schism in Israeli society. One group is composed of those who seek to integrate with the West and eagerly embrace American culture and consumer-oriented materialism. The second group seeks to retain its own identity, its own distinctiveness, whether they be the Sephardim of SHAS, the dynamic political party whose adherents come mainly from North Africa; or the Haredim, the ultra-Orthodox who avoid military service, insist on educating their own children, and skillfully extract huge subsidies from the state; or the new *aliya* [wave of immigration] of one million people from the former Soviet Union; or the secular Ashkenazi elite whose forebears came to Palestine, mainly from Russia and Eastern Europe, established a state, and having ruled the country unchallenged until recently seek to hold on to power.[6]

There are other ways of defining the schisms besetting Israel. In the political realm, for example, the Left mobilizes to make peace with the Arabs and pay the territorial, political, and economic price for recognized borders and peace, while the Right organizes and proselytizes for a united Jerusalem, strategic depth, and retention of some or all of Judea and Samaria (the West Bank). Their tensions are deeply rooted in disagreements not only about how to deal with Syria and the Palestinians, but also about the nature of the emerging Israeli society.

Assessing the Threats

In an atmosphere dominated by the preoccupation of the political leadership and society with immediate crises and conflicts, Israeli military leaders struggle to plan for the long term. Though downgrading the likelihood of war in the region for the foreseeable future, the IDF must take very seriously the potential threats posed by those who still yearn to destroy Israel. Still, viewed in historical perspective, the strategic environment is promising. A former foreign minister and elder statesman opined: "We are moving from a world of enemies to a world of dangers."[7] Those dangers, moreover, are of

[6] Author's interview, Tel Aviv, Mar. 8, 2000.
[7] Author's interview, Tel Aviv, Mar. 7, 2000.

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four distinct kinds: conventional war; attacks with chemical, biological, or nuclear weapons of mass destruction (WMD); terrorism; and low-intensity conflicts (LICs).[8]

Conventional war, formerly Israel's main concern, is now the least likely contingency. Indeed, Israel has not fought a major conventional war since October 1973. Nonetheless, though slowly restructuring, the IDF is still mainly configured to fight such a war. Of Israel's neighbors, only Syria remains an avowed enemy, after peace treaties were signed with Egypt in 1979 and Jordan in 1994. Lebanon has not fought Israel since 1948, but Israel has on several occasions since the mid-1970s been compelled to occupy parts of southern Lebanon in an attempt to stymie terrorist attacks and bombings of its settlements along the border. From the early 1970s to the early 1980s, the attacks were mounted by Palestinian groups operating from Lebanon in defiance of the government in Beirut. After the mid-1980s, and with a greater measure of success, those resisting the Israelis and their Lebanese Christian surrogates were Lebanese led by Hezbollah, the Shiite-dominated, Iranian-trained, and Syrian-backed guerrilla force.

Heavily armed Syria is in theory capable of waging conventional war. However, according to IDF intelligence sources, its weapons are mostly Soviet and mostly old. Russia's sale of new weapons since the mid-1990s has not sufficed to redress Syria's adverse military balance. Moreover, the bulk of Syria's forces are organized in a defensive mode, with massive fortifications and troop concentrations layered to the south and east in order to protect Damascus from possible Israeli attacks from the Golan Heights, Lebanon, or Jordan. But Israelis worry that a sudden offensive thrust by Syrian armor could recapture the twelve-mile waist of the Israeli-occupied Golan that overlooks Israel proper.[9] What makes it so devilishly difficult to defuse the Syrian-Israeli military face-off in the Golan are the short distances involved, the absence of strategic depth on either side, and the particular exposure of the Syrian heartland to Israeli air power.[10] In June 2000, the venerable Hafez al-Assad died and was succeeded by his son, Bashar. Finding the key to a Syrian-Israeli accommodation, namely, a demilitarization of the Golan satisfactory to both sides, would tax the wisdom of Solomon. The unlikelihood that Bashar al-Assad will focus on this issue in light of his preoccupation with institutionalizing his power at home suggests that continuity is more to be expected than change.

Though not contiguous with Israel, Iraq deserves mention because it was actively involved in every major Arab-Israeli war to date. Since 1991,

[8] For a still-useful military overview, albeit one in need of supplementation with material on missile proliferation and weapons of mass destruction, see Col. Andrew Duncan, "The Military Threat to Israel," *Survival*, May/June 1982, pp. 98–107.

[9] Ibid., p. 102.

[10] Muhammad Muslih, "The Golan: Israel, Syria, and Strategic Calculation," *Middle East Journal*, Autumn 1993, pp. 611–32.

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Iraq's offensive power has been crippled by a combination of U.N. Security Council sanctions and periodic American and British air strikes against radar and anti-aircraft batteries. Should the Iraqi army rebuild, however, Israel would have to be wary of any shift of Iraqi armor toward Jordan or other indication that Baghdad was intent on new aggression.

A final threat of conventional war might, in time, be mounted by a Palestinian state established in Gaza and on the West Bank, part or all of which would be evacuated by Israeli forces. Israel would have to reconfigure its defenses accordingly. For the foreseeable future, however, the military potential of any nascent Palestinian state will be minimal.

The second variety of threat facing Israeli planners is missile proliferation and WMD. As never before, Israel's urban centers are targets for enemies equipped with and willing to use chemical, biological, or nuclear weapons. More commonly associated with terrorists and rogue states than with leaders of responsible governments, WMD are slowly being incorporated into additional national arsenals, most recently those of India and Pakistan, which staged nuclear test explosions in 1998. When Israelis speak of possessors of WMD, their concerns are Iraq, Iran, and Libya. According to one retired general, to counter the danger from such states in "the outer circle," Israel "has developed and acquired sophisticated weaponry in targeting, reconnaissance, and power projection."[11] He dwelt on the primacy of air power, referring to Israel's longer-range advanced aircraft, UAVs, and electronic systems, but also mentioned the acquisition of three Dolphin diesel submarines, which can be equipped with a long-range launch capability. The aim of all of these systems is enhanced deterrence.

Among proponents of the peace process, hope survives that a peace of some kind can be reached through political means before a balance of terror resting on WMD comes to the Middle East in the next decade or two. "During the Cold War," noted a well-placed intelligence analyst, "the balance of terror was a struggle between two sociopolitical systems in which there existed a sense of proportionality and responsibility. I'm not sure that this will be the case in the Middle East. It is not a question of whether I would or could trust a Saddam or a Qaddafi, but whether their system of safeguards would be secure enough, as they were in the United States and the Soviet Union."[12]

The third threat to Israel is terrorism. Perpetrated by people driven by a mix of political, ideological, and religious motives, terrorism generally targets innocent civilians, not leaders or soldiers. The problem is perennial and unpreventable, but it is containable. Israelis generally assume that radical groups with plausible political goals will eschew horrific weapons, since the backlash from their use would jeopardize attainment of their goals. What is more, Israeli analysts calculate that massive terrorist attacks are much harder

[11] Author's interview, Tel Aviv, May 4, 2000.
[12] Author's interview, Tel Aviv, May 6, 2000.

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to carry out than politicians or the media usually appreciate, and point out that chemical and biological agents are especially difficult to handle or target effectively. Secretary of Defense William Cohen was speaking metaphorically when he held up a bag of sugar at a press conference and said that if it had been anthrax or some other biological agent it could have decimated the population of Washington, D.C. Most terrorists have limited capabilities and rudimentary knowledge, as witnessed by the clumsy way in which the Aum Shinrikyo terrorists in Tokyo used sarin gas. Nuclear weapons are even further out of reach.

The fourth threat, low-intensity conflict, has already turned out to be the most pressing, and also the one for which the IDF and Israeli public are least prepared. LICs are waged by small, mobile, hit-and-run forces aiming to weaken the enemy militarily, but above all to sap his morale. As the United States discovered in Vietnam, the body count seldom counts. An experienced and respected analyst at a leading university research center said, "Low-intensity conflict has no technical answer. Political means are needed to settle Israel's problems with Hezbollah in Lebanon, the Palestinians on the West Bank, or the Arabs inside Israel. Political solutions, not force."[13]

Israelis were elated at the IDF withdrawal from Lebanon, but Hezbollah claimed victory.

When the IDF withdrew from southern Lebanon on May 23, 2000, the Israeli public was elated, hoping that Israel's twenty-year ordeal there was over, and with it the cross-border raids and shellings in northern Galilee. Almost a thousand soldiers had died to keep the area secure. Prime Minister Ehud Barak gambled that Hezbollah would be mollified by the Israeli pullout, which the Shiite group in fact hailed as a victory for its fighters. Barak also hoped that the deployment of U.N. peacekeepers along the carefully delineated Israeli-Lebanese frontier would serve to keep the peace. But it was Moshe Arens, a former defense minister from the opposition Likud Party, who proved prophetic when he wrote:

> There is no doubt that many in the Arab world believe that Israel has suffered a major defeat at the hands of a few hundred Hezbollah guerrilla fighters and many will conclude that pressure, when applied to Israel with adequate tenacity over an extended period of time, led to Israel giving in to Arab demands. If the Palestinians, encouraged by these reports, decide to take a leaf out of Hezbollah's book, our relations with them are headed for stormy weather.[14]

Almost exactly four months later, widespread violence erupted in Palestinian-populated areas of Jerusalem, the West Bank, Gaza, and Israel proper.

[13] Author's interview, Tel Aviv, Mar. 28, 2000.
[14] Moshe Arens, "The Nation's Big Gamble," *Ha'aretz*, May 30, 2000.

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In July 2000, President Bill Clinton tried to bridge the remaining differences between Barak and Arafat during two weeks of intensive negotiations at Camp David, but to no avail. By late September, the situation deteriorated, whether due to misinterpretation of Arafat's readiness for a comprehensive settlement, underestimation of Palestinian frustration with the lack of progress toward independence, or the intractability of the issue of Jerusalem. On September 29, the day after a highly publicized visit by Ariel Sharon to the Temple Mount (what Muslims call *Haram al-Sharif*) accompanied by hundreds of policemen, violence began. The scope and intensity of the rioting and use of arms suggest that the violence was more likely a tactic planned by Arafat than a spontaneous reaction to the Likud leader's provocative gesture. For the first time, Arab Israelis also joined in unacceptable levels of civil disobedience. All of this was dismaying and disorienting to Israelis who had labored hard for peace, cooperation, and a settlement between the two peoples.

Unlike the *intifada* (uprising) of the late 1980s, the unrest that began in October 2000 was distinctive in several ways. First, the Palestinians were quasi-militarily deployed, using guns and engaging the IDF in hit-and-run attacks. Secondly, the motivation for the violence was not just political, but religious, as demonstrated by the blatant destruction of Jewish holy sites in Nablus, Jericho, and elsewhere, even though the Palestinian Authority was obligated under the Oslo accords to protect them. Thirdly, Palestinians disseminated vicious anti-Semitic calumnies that were echoed by Muslims around the world. Lastly, and particularly worrisome to advocates of the peace process, the Palestinians blatantly disregarded previously signed agreements designed to prevent just such a breakdown. What would Arafat's signature be worth in the future? On the other hand, Arafat must have been encouraged by Israel's confused responses, including the unprofessional behavior of some IDF units and commanders, their failure to come to the assistance of wounded troops, their surrender of weapons to (or retreat from) clearly inferior forces, and the reports of poor morale that mirrored ambivalent decisions at the top. The media reflected disorientation in Israeli society at large. Ten days into the October uprising, Hezbollah reentered the conflict, kidnapping three IDF soldiers along the border and capturing an alleged Israeli intelligence operative in Beirut. Strategically, Arafat may have intended the violence to exact further concessions from the Israelis and internationalize the peace process by involving the United Nations and powers other than the United States.

On the occasion of Israel's withdrawal from Lebanon, *Ha'aretz*'s senior defense commentator, Zeev Schiff, wrote of a recently completed military planning exercise conducted by the General Staff in which the conditions almost exactly anticipated the sequence of events that came to pass in the latest uprising. According to Schiff, the IDF agreed that it was necessary to distinguish the conflict with the Palestinians from any other

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conflict not only by keeping the number of Israeli casualties as low as possible, but also by preventing many casualties on the Palestinian side. "The reason is that . . . Israel is still committed to continuing the peace talks with the Palestinians," even if the Palestinians initiated the riots and used live ammunition. However, the General Staff emphasized that Israel had to emerge from such an encounter with a strategic victory, meaning that the Palestinian leadership would realize that it had made no gains and "actually lost some of its previous gains." Unless the Palestinian leadership were unequivocally persuaded of the logic of such an assessment, it "might believe that violence is an effective instrument for pursuing its goals."[15]

New Thinking, the RMA, and Emerging Threats

Much has been written in the West about the formulation of a new Israeli military concept ("doctrine" is too ambitious a designation). A high-ranking official in the Ministry of Defense acknowledged that a new strategic concept has been under consideration since late 1998, but discounted much of the exercise and cautioned against expecting any official statement to be made public.[16] In his view, three broad, amorphous approaches have surfaced. One group is reluctant to relinquish Israel's strategic depth in the Golan Heights, Judea, or Samaria. It contends that in the absence of full peace with the Arabs, sound strategy militates against excessive territorial concessions in diplomatic negotiations and against drastic changes to the IDF force posture. Better to have residual tensions than a porous peace. A second group, including most prominently the minister of justice Yossi Beilin and former minister of internal security Shlomo Ben Ami, argues that in the dawning era of WMD, military power is an outmoded conceit and that retaining Arab territory is politically *detrimental* to Israeli security, both at home and abroad. This school of thought envisions interlocking peace treaties, economic cooperation agreements, and multilateral linkages as the source of mutual security.

According to this source, many in the Ministry of Defense think the first group too pessimistic, the second too optimistic. Even in an era of peace, he thought the Middle East would be a region of instability and periodic threats. As such, the proper course for Israel would be to maintain a strong conventional capability while investing heavily in air power and sea-borne assets that can project punishing power against Iraq and Iran if need be. His formula, which tied an active peace process to increased defense expenditures, conveyed less "new thinking" than uncritical support of official policy, and made no demands on the IDF to identify weapons priorities in an era of

[15] Zeev Schiff, "'Beirut Culture' in the Territories," *Ha'aretz*, May 23, 2000.
[16] Author's interview, Tel Aviv, Mar. 21, 2000.

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slowly decreasing defense budgets. His downplaying of "new thinking" echoed what was said almost a year earlier during Binyamin Netanyahu's tenure as prime minister by the then-chairman of the Knesset's Foreign Affairs and Defense Committee, Uzi Landau of Likud. According to *Ha'aretz*, Landau lamented the absence of an updated and coherent military doctrine and accused the military leadership of muddling through with "little more than loosely formed concepts that have been 'handed down by word of mouth' since 1948."[17] He further expressed frustration that so little had been accomplished by the group of senior defense ministry strategists and outside specialists convened specifically to revise the doctrine.

A different picture was presented at many research institutes and in private discussions. Retired officials from the IDF and Mossad, academics, and security analysts spoke of ongoing evaluations of the meaning of the RMA for Israeli security and of deeply divided counsels on its putative lessons and policy implications. With so many civilians serving annual stints as reservists or frequently functioning as noncareer civil servants in the Ministry of Foreign Affairs, the relationship between government and nongovernment specialists is symbiotic. Names such as Moshe Maoz, Itamar Rabinovich, Shimon Shamir, David Menashri, Emmanuel Sivan, and retired general Shlomo Gazit come readily to mind. The effect of the RMA on the IDF's "new thinking" about key strategic and defense issues is better evaluated if one focuses narrowly on the security dimension and temporarily shelves a number of relevant domestic political and organizational matters.

The RMA manifests itself in at least three ways: the restructuring of conventional forces and the upgrading of high-tech weapons, the reinforcing of deterrence, and the use of high-tech weapons to minimize casualties. In the first category, "new thinking" would entail a downsizing of conventional forces and weapons. But there is no agreement on what to cut, how deeply, or how long the window of opportunity must be kept open in order for new weapons to be designed, perfected, delivered, and integrated into the order of battle. In short, the integrated battlefield of the future is far from fully wired for action.

In a lecture on the IDF's future, delivered in February 1999 at Tel Aviv University's Jaffee Center for Strategic Studies, the chief of the General Staff, Lieutenant General Shaul Mofaz, noted that all of his predecessors had faced a recurring dilemma: "How to build a force capable of dealing simultaneously with current missions and future challenges?"[18] He himself had few details to contribute, preferring to repeat some well-known generalizations regarding the IDF's priorities: strengthening the air force; ensuring quality intelligence; maximizing firepower that is designed "with the main emphasis being on

[17] As reported in Ed Blanche, "Israel Addresses the Threats of the New Millennium—Part II," *Jane's Intelligence Review*, Mar. 1999, p. 27.

[18] Lt. Gen. Shaul Mofaz, "The IDF toward the Year 2000," *Strategic Assessment*, Oct. 1999, p. 9.

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reducing the attrition rates of our forces"; reorganizing force structures to enhance combat capabilities; formulating an operational concept suited to the reality in which the IDF operates; and developing technologies in a number of areas including space, information systems, and smart weapons.[19] The only concrete innovation he announced was organizational: the establishment of a new Centralized Headquarters for Land Forces. Previously, the chief of the General Staff had functioned as head of the army, whereas the air force and navy had their own headquarters and chiefs. One analyst who had been present at the time said, with a slight touch of derision, that "new thinking" is "neither doctrinal nor operational, but organizational."[20]

The IDF does not believe the conventional military balance will soon shift. When General Mofaz singled out Syria's development of a surface-to-surface missile force capable of hitting all of Israel and similar capabilities emerging from Iran and Iraq, he was identifying a known long-term threat. Yet, despite an apparent consensus in the defense community that Israel has roughly a five-year window of opportunity to transform its strategy and order of battle, the leadership is hesitant. Budgetary constraints keep defense planners on a tight rein. The *intifada* begun in October 2000 will require a diversion of resources to personnel, small arms, and passive defenses. And in the event that Israel and Syria sign a peace agreement, the United States itself might undertake the modernization of Syria's armed forces, as it did Egypt's.

A rare glimpse inside the strategic planning of the Israeli Air Force (IAF) was provided in *Aviation Week and Space Technology*, the premier aerospace journal. According to Reuven Pedatzur, *Ha'aretz*'s defense correspondent, the journal enjoyed "considerable cooperation from the IAF's senior commanders, who utilized the articles as a platform for describing their professional worldview, declaring their intentions and outlining the IAF's acquisition plans for the present decade."[21] The conspectus was the handiwork of the outgoing air force chief, Major General Eitan Ben-Eliahu, whose task was to prepare the IAF to cope with long-term threats. Assuming the Israelis withdrew from southern Lebanon and the Golan Heights and achieved "peace with their immediate neighbors," the IAF looked ahead to a modernization tagged at $30 billion, a good portion of which was to come from the United States. With this peace dividend in hand, the IAF projected the development or purchase of an aerospace armory to include "three new missiles, two types of unmanned air vehicles, two new types of surveillance aircraft, and a space reconnaissance capability."[22] The centerpieces of this armada were F-15s, Block 60 F-16s, future F-22s, and Airborne Warning and

[19] Ibid., pp. 10–11.

[20] Author's interview, Tel Aviv, May 21, 2000.

[21] Reuven Pedatzur, "The IAF Searches for Answers," *Ha'aretz*, Apr. 18, 2000.

[22] David A. Fulghum and John D. Morrocco, "Israel Air Force to Grow in Size, Power, and Range," *Aviation Week and Space Technology*, Apr. 10, 2000, p. 63.

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Control System (AWACS) and battle-management aircraft. These new weapons are a glossary of the future battlefield: the Python 5 and advanced short-range air-to-air missile (BVRAAM); very long-range, precise, high-speed, air-to-surface missiles to take out mobile ballistic-missile launchers; and "long endurance, high altitude UAV that can loiter over a threat area for up to 60 hours carrying these missiles."[23] If it had its druthers, the IAF would absorb the entire defense budget's outlay for research, development, and procurement, but it lacks both the resources and the redundancy to maintain an across-the-spectrum combat readiness while simultaneously restructuring. Moreover, much of what the IAF strategic planners want is not yet in production, much less battle tested.

Convinced that the RMA is in its infancy and that aerospace technologies are on the cusp of extraordinary breakthroughs, the IAF has decided not to try to intercept missiles in the boost phase, that is, during the first minutes of flight, but instead to invest heavily in a tactic dubbed BLPI (before launch phase intercept), which would seek out the missile launchers themselves. Given the smaller number of launchers, this would appear to be the most efficient tactic. Thus, "[e]mphasis will be on developing a very high-speed, precise air-launched missile. Since many surface-to-air and tactical ballistic missiles can set up, fire, break down and flee the scene in 10 minutes or less, planners need a weapon that can strike before they move."[24] Such ambitious plans may some day be realized, but it is well to recall that despite their total air superiority in the Gulf War, U.S., British, and French aircraft did not succeed in destroying even a single Iraqi missile launcher during several thousand sorties. Nor, almost a decade later, did U.S. air power do much better in Kosovo against a far less fully equipped enemy. Indeed, the much-touted Apache "killer" helicopters were kept out of action for fear of exposing them to ground fire from Serbs carrying hand-held surface-to-air missiles.

The second major impact of the RMA on Israel's "new thinking" has been to add credibility to its policy of deterrence. But this reinforced deterrence signifies a subtle shift in Israel's strategy of war prevention and not just a nuance in the meaning of deterrence, because it demands a rethinking of the meaning of preemption. Generally speaking, deterrence has four aims: to prevent an enemy attack, to punish, to assist damage limitation, and to reinforce existing defense capabilities. In the past, Israel's strategy was to fight to achieve decisive victory, bringing the battle to the enemy's territory and controlling captured areas pending an acceptable armistice. As in boxing, the aim of battle was to destroy the opponent's capacity to fight. In the emerging strategic environment, however, international pressures virtually preclude the retention of territory, and domestic constraints require that casualties be kept to a minimum—a further disincentive to lengthy warfare or

[23] Ibid.
[24] Ibid.

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occupation of the enemy's urban centers. Thus, Israel can no longer reasonably expect to gain strategic depth from a military victory against Iraq, Iran, or Libya, the noncontiguous states that pose WMD threats. Instead, in the event of threatened aggression by any of them, Israel might want to preempt, that is, to deliver a crippling blow that would induce the enemy to desist. Specifically, a preemptive strike would target command and control centers, radar, battle management systems, key power grids, and, if possible, missile launch capacities. In conflicts against Iraq in 1991 and Serbia in 1999, the United States achieved most of its stated military objectives in a relatively short time and sustained few casualties. In both cases, however, difficult political problems remained even after the elimination of the immediate threats. Israel is not so sanguine as to imagine that it would be permitted to launch such set-piece operations. It lacks the U.S. capacity to dominate the air and sea for an indefinite period, the overwhelming resources to engage in land warfare with heavy armor far from home, and the diplomatic clout to forestall interference by international institutions or groupings of unfriendly powers.

Therefore, if the RMA has any meaning in an era of missile and WMD proliferation, Israel must accept that reinforced deterrence only magnifies the dilemma of deciding when to preempt. When faced with an imminent, near-certain threat from an enemy with a WMD-equipped missile capability, how long does a country such as Israel wait before taking action? What intelligence data are most salient? And can such data be shown to a friendly power whose intervention might blunt the threat, but who might instead interpret the data in a less threatening manner that imposes constraints on Israel's ability to act unilaterally in its vital security interests? Israel would doubtless have to act without international support and possibly even without tacit American approval. Israel's last preemptive response to such a developing threat—its destruction of Iraq's nuclear reactor in June 1981—defied the conventional wisdom to the effect that Iraq was not contemplating the building of a nuclear bomb, and so elicited widespread condemnation. Prime Minister Menachem Begin even overrode strong objections from leading figures in his own cabinet. But he was fortunate to have in the United States a sympathetic president, Ronald Reagan, and secretary of state, Alexander Haig, to cushion him against the harsh criticism and demands for sanctions from, among others, Secretary of Defense Caspar Weinberger. Nor have Israelis forgotten October 1973, when Prime Minister Golda Meir alerted Washington of threatening Egyptian and Syrian military movements but was "warned" not to preempt. The war that ensued is not merely history; it needs to be studied for clues on how to act should comparable situations arise in the future. If Israel's projected investment in high-tech weaponry and a long-range air- and sea-based strike capability is to enhance deterrence, it must also convey to potential WMD-armed adversaries that preemption is a cred-

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ible option. But the IDF has no firm guidelines on when to use force, and the issue, in all its variants, is undergoing intense review.

The third effect of "new thinking" is the leadership's sensitivity to casualties and fragile civilian morale. It does not want a repeat of the experience during the Gulf War, when Iraqi SCUD missiles sowed fear disproportionate to the minimal harm they actually caused. Likewise, the Patriot antimissile missiles hurriedly deployed to Israel were psychologically helpful, though militarily ineffective. According to the noted Israeli scholar Efraim Inbar, political leaders were drawn to the possibility of providing greater protection to civilians after the Gulf War, but "the attitude of many within the military toward proposed active defense measures against missiles, such as the Arrow anti-missile defense system [was] very ambivalent."[25] Persuaded by the IDF's reservations about the technological and economic uncertainties, Prime Minister Yitzhak Rabin (1993–95) gave missile defense low budgetary priority and "decided to stop the development of an Israeli warning system," thus attenuating self-reliance and increasing Israel's dependence on American intelligence for early warning.[26] However, under Netanyahu expenditures for the Arrow project were increased substantially in response to the growing concern over Iran's missile development program. The combination of Israeli technological ingenuity and American financial support paid off in July 1998, when the Arrow-2 was successfully tested, heralding the advent of one of the most advanced limited missile systems in the world. Iran's testing of its Shihab-3 missile intensified pressure in the Knesset for more funding for missile defense.[27] The first batteries of Arrow-2 missiles became operational in early 2000 in a unit along the Mediterranean coast about thirty miles south of Tel Aviv.[28] In addition to the Homa (Wall) antimissile system, other defensive technologies in which Israel is investing heavily are the Ofek-3 (Horizon), a reconnaissance satellite placed in orbit in

[25] Efraim Inbar, "Contours of Israel's New Strategic Thinking," *Political Science Quarterly*, Spring 1996, p. 59.

[26] Ibid.

[27] In Israel, the issue of missile defense, though not as controversial as in the United States, is quite complicated. Israel's Homa antimissile project comprises the Arrow-2 missile, the Green Pine ballistic missile tracking radar, and Citron Tree fire-control system, and is expected to be effective against SCUD missiles. According to Angelo M. Codevilla of Boston University and the Jerusalem Institute of Advanced Strategic and Political Studies, Green Pine's L-band radar can detect missiles launched from as far as 60 miles away and distinguish between "warheads, debris and decoys," and the Citron Tree fire-control system can manage as many as 14 intercepts at one time. Flying at twice the speed of the Patriot (the U.S. system), the Arrow-2 might be able to make intercepts up to 50 miles from Israeli cities. Nevertheless, in 1998 he warned of the Arrow-2's obsolescence, since "developments in 'submunitions'—warheads which break up into small 25 kilogram bombs—would render the Arrow-2 useless" because it would be "incapable of coping with a great number of incoming missiles." As discussed in an interview with Arieh O'Sullivan, "U.S. Expert: Arrow of Only Limited Use," *Jerusalem Post*, international ed., Jan. 31, 1998. In April 2000, Maj. Gen. Yitzhak Ben-Israel, director of the Israeli Air Force Arms Development Administration, claimed that improvements to the Arrow-2 would allow it to distinguish between "decoys and maneuvering warheads." Cited in David A. Fulghum and John D. Morrocco, "First Arrow Battery Deployed Near Tel Aviv," *Aviation Week and Space Technology*, Apr. 10, 2000, p. 66.

[28] Fulghum and Morocco, "First Arrow Battery."

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April 1995 and replaced almost yearly; and the Katyusha-killing Nautilus high-energy laser, whose initial tests in June 2000 at the U.S. Army's White Sands Missile Range in New Mexico were deemed promising but not yet so conclusive as to warrant deployment.[29]

Missile defenses have yet to prove themselves in battle. They are low in reliability, easily countered by anti-antimissile systems, readily overwhelmed by offensive systems, and very costly. For all that, their advocates make a strong case: technologically, there is a positive synergism among the different sectors of the defense community working on solutions to high-tech threats; economically, much of Israel's development work is financed by the United States, thereby fostering the growth of Israel's aerospace industry; militarily, cooperation with the United States leads to broad sharing of technology in the two countries' mutual quest for an effective missile defense; and politically, publicized progress comes as welcome reassurance to Israelis uneasy about national security at a time when far-reaching concessions to the Arabs are in process. It also strengthens perceptions in the Middle East of the close connection between Israel and the United States.

The Golan Conundrum

On no issue concerning Israel's future is the Israeli defense community more divided than over the significance of the Golan Heights, because nowhere do the implications of the RMA seem to clash more directly with the traditional quest for strategic depth. Nor is the question merely a matter of the relevance of geography in the missile age. Since the Gulf War, the issues at stake also include the premium placed on early warning, the transformation of war from massive confrontations of armor and manpower to surgical air strikes intended to eviscerate the enemy's brains and nervous system, and the very meaning of "victory." The future disposition of the Golan Heights will have enormous implications for the IDF, its order of battle, concepts of deterrence, dependence on reserves, and overall strategy.

The Golan Heights is situated forty miles south of Damascus. An oblong plateau forty-two miles long and sixteen miles wide, it rises gradually from south to north and reaches an elevation of between 2,000 and 3,000 feet above sea level. Its western border looms high above the Galilee panhandle and Lake Kinneret (the Sea of Galilee), which is almost directly below a very steep slope. Israel seized the Golan in the June 1967 war, almost lost it in October 1973, then recaptured it (along with an additional 300 square miles in the east), and eventually returned most of the latter area (including Kuneitra, the largest town on the Golan) to Syria in a U.N.-brokered disen-

[29] James Glanz, "Laser Built for Israel Shoots Down Missile in Successful Test," *New York Times*, June 8, 2000. The Horizon's development was due largely to Moshe Arens, minister of defense during the Gulf War and a critic of excessive dependence on the United States for intelligence and early warning data on Syria, Iraq, and Iran.

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gagement agreement in 1974. Israel still retains control of Mount Hermon, whence its electronic early warning stations collect vital intelligence on Syrian deployments and communications traffic. During the six months before Hafez al-Assad's death in early June 2000, his lieutenants insisted that all Syrian land had to be returned, a stance Assad himself affirmed in his meeting with Clinton in Geneva in April 2000. By this Assad meant all the land controlled by Syria on June 4, 1967. Israel maintains that the border between the two countries should conform to the internationally recognized boundary agreed to in 1923 by Britain and France, who were then the mandatory powers in Palestine and Syria, respectively, under the auspices of the League of Nations. In the 1923 territorial delineation of what had formerly been part of the Ottoman Empire, all of Lake Kinneret was deliberately placed in British-ruled Palestine, in large measure to ensure Palestine's water supply. Syria's claim is for the 300-meter-long strip along the lake's eastern littoral, which was in its possession in 1967.[30]

Would the Israelis consider the Golan's return to Syria as part of a peace treaty with Syria? My interlocutors disagreed sharply on its continuing relevance in the RMA era, but all agreed on one thing: an effective and verifiable demilitarization of the Golan was a prerequisite for any agreement. To underscore how seriously this matter is taken, one keen analyst from the One Israel party who is a prominent advocate of peace and reconciliation emphasized several times that "[d]emilitarization in return for territory is taken as a given by virtually everyone in Israel, whether we are talking about the Golan or about the West Bank."[31]

The military people interviewed on this issue were predominantly optimistic that the RMA was rapidly and irrevocably altering the nature of future war and rendering geography obsolete in military calculations about national security. A retired general in the forefront of the campaign to shift to high technology expected Israel to command a fully integrated, electronically dominated battlefield by around 2010.[32] He assumed that technological superiority and dominance in the air would ensure Israel's military edge over its regional adversaries and that reliance on heavy armor would be much reduced: "One reserve armored division has been eliminated, another is in the works." He waxed enthusiastic on the subject of the integrated battlefield of the future, its inevitability, and combat effectiveness. In a series of simulation exercises conducted at the IDF War College, he said, the panoply of advanced radars, UAVs, precision-guided munitions, and attack helicopter gunships defeated the "invaders" repeatedly and conclusively. With air supremacy, Israel can concentrate the needed military power in a short period

[30] For details of the Syrian-Israeli border controversy relating to the boundary lines of 1923, 1949, and 1967, see Frederic Hof, "Lines in the Sand with Syria," *Jerusalem Post*, Dec. 24, 1999.

[31] Author's interview, Herzliya, Apr. 10, 2000. The Labor Party was renamed One Israel in 1999.

[32] Author's interview, Tel Aviv, Mar. 10, 2000.

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of time and destroy the heavy armored divisions on which Arab armies are built; these heavy tanks are the "dinosaurs" of the next battlefield.

This military vision of the future was widely embraced by influential defense journalists. A diplomatic correspondent for a major newspaper commended the proponents of a new security concept for embracing the RMA and criticizing the "old thinking" of the political leadership and entrenched bureaucracies. "For a number of years now," he said, "people outside positions of responsibility have suggested that what we have with Syria and Lebanon is only a border dispute, which could be easily settled. This would eliminate Israel's most dangerous contiguous front and enable the IDF to restructure even further for the future."[33] Like other observers, he deferred to professionals who claim that military technology has evolved to the point where there are more than adequate substitutes for the advantages Israel currently derives from its retention of the Golan and the early warning assets on Mount Hermon. A colleague of his was convinced that if the IDF's procurement budget were increased to enable faster acquisition and integration of new weapons systems, Israel's security would be assured—and the Golan could be returned.

Respected public opinion surveys conducted by the Jaffee Center indicated strong support in March 2000 for giving up the Golan Heights. "The pollsters," noted a defense analyst in the *Jerusalem Post*, "said their findings are remarkable because in the past the Golan Heights had been considered non-negotiable property by most respondents."[34] However, as Prince Philip once quipped, "Statistics are like bikinis—what you see is interesting, what is not shown is essential." But the aphorism attributed to Shimon Peres may be even more to the point: "Polls are like perfume—nice to smell, dangerous to swallow."[35] Presumably, no Israeli leadership would throw dice with national security or rely on polls when making tough choices.

A study that merits careful attention by both advocates and opponents of demilitarization and reliance on new weapons systems was declassified at the end of 1999 and published in Hebrew. Retired colonel Omer Bar-Lev's *Security Arrangements on the Golan Heights in Light of the Future Battlefield* is the first detailed assessment of what an effective demilitarization would entail. Five key points are intrinsic to his pathbreaking work.[36] First, Israel needs the early warning time now provided by the sophisticated electronic listening stations it operates on Mount Hermon. Ideally, the stations should remain in Israeli hands. Secondly, in the event of a Syrian-Israeli peace accord, the consequent demilitarization cannot be a symmetrical arrangement

[33] Author's interview, Tel Aviv, Apr. 18, 2000.

[34] Arieh O'Sullivan, "Poll: Majority Would Back Golan Pullback," *Jerusalem Post*, Mar. 17, 2000.

[35] William Safire, "What's with Assad?" *New York Times*, Oct. 13, 1994.

[36] See Arieh O'Sullivan, "Early Warning Key to Golan Pullback," *Jerusalem Post*, Mar. 17, 2000. In the course of my interview with Mr. Bar Lev in Rosh Ha'ayin on Apr. 27, 2000, some additional details on his study emerged.

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because Damascus is crucial to the survival of the Syrian regime and the distance from the Golan to Damascus is less than that from Syria to Tel Aviv. Hence, Syria would have to capture far more ground to be in a position to threaten Jerusalem. If an agreement were to be really effective and reassuring to both sides, insisted Bar-Lev, it must involve some further demilitarization on the Syrian side and a sizable Israeli demilitarization in Galilee. Thirdly, although Syria's military is essentially structured along defensive lines, "the technological advances and advanced weapons systems that will be introduced in coming years increase the chances that each side will be able to carry out a surprise attack on the other side. For Israel, this is our Achilles heel, or our fear—a Syrian surprise attack."[37] Fourthly, before agreeing to withdraw, the IDF should have in existence the highly mobile forces necessary to blunt a Syrian attack and allow time for the reserves to be mobilized. At present, Bar-Lev does not believe they exist to the degree he thinks essential. Lastly, he expressed concern at the political establishment's unwillingness to address the question of how it will demonstrate the credibility of its readiness to act at the first sign of a threatened attack or treaty violation.

The critics who oppose returning the Golan for what the RMA promises to deliver at some unspecified time in the future found corroboration from Major General Amos Malka, the head of military intelligence. After a visit to the United States in March 2000, he reported that the early warning systems being offered "cannot serve as an immediate replacement for the stations on Mount Hermon."[38] Military spokesmen thought it might take five years to develop suitable alternative early warning systems, and in line with Bar-Lev's assessment the IDF is expected to recommend to the government that "the Hermon site continue to be manned by Israeli personnel even after a peace treaty with Syria is signed."[39]

One retired colonel disputed the RMA's relationship to reality.

One retired army colonel who did not question the logic of the RMA and its underlying rationale did dispute its relationship to reality. The RMA, he said, is being oversold by those who forget that nothing is fully predictable on the battlefield.[40] Those who argue that high technology would provide a better guarantee of Israel's security—notwithstanding the prospective evacuation of the Golan and electronic stations on Mount Hermon, the reduction of a sizable number of heavy tanks, and the loss of strategic depth—ignore the lessons of experience. For example, they forget that in 1983 the Syrians succeeded in shifting an armored division—300 tanks—from northern Syria

[37] O'Sullivan, "Early Warning Key to Golan Pullback."

[38] See Aluf Benn, "Military Intelligence Doesn't Believe in Current Alternatives to Hermon," *Ha'aretz*, Mar. 15, 2000.

[39] Ibid.

[40] Author's interview, Elkana, Apr. 12, 2000.

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down to Damascus and Lebanon without detection by Israeli intelligence, demonstrating in dramatic fashion the weaknesses of electronic intelligence. Those who would tie security to technology and give away strategic depth and geographic advantage for intangibles such as a "cold" peace with a society that is subject to the whim of a dictator would do well, the colonel said, to think more critically about the crucial uncertainties that would still exist on the "new" battlefield. He noted first that any electronic intelligence-gathering measures can be fooled, confused, or stymied by electronic countermeasures. Secondly, the countless "victories" amassed in simulation games are no guarantee of success on a real battlefield, as the United States found out to its sorrow in Vietnam. In simulation exercises, missile strikes against the opposing side invariably assume good weather, good visibility, and optimally operational equipment. In reality, these assumptions more often than not prove false in the face of unanticipated contingencies. In the Golan, especially, the "fog of war" is more than a metaphor because the weather there is unpredictable and foggy at least half of the time. Thirdly, those who contend that air power defeated Saddam Hussein in the Gulf War are, in the colonel's judgment, in error. Allied armor, infantry, and strategic depth were all prerequisites of the allies' ability to project preponderant military power. Finally, while the IDF focuses, as it should, on military security, the political leadership must take into consideration the attitude and morale of the population. If public confidence was shaken by the anodyne SCUD attacks during the Gulf War, then news of Syrian armored columns penetrating the Galilee panhandle and reaching the coastal plain could trigger a national panic. The colonel believed that despite the promises of the RMA, some Israeli presence on the Golan would be essential for several generations.

Whither Security?

In the broader context of this discussion, the specifics of future security arrangements reached between the Israelis and Palestinians would have to be known before passing any judgment as to the feasibility and durability of the principles and procedures adopted. The devil is always in the details.

Regarding Syria, negotiations are probably on indefinite hold. In light of developments in the Israeli-Palestinian arena, even if the government of Bashar al-Assad were to revive peace talks, any Israeli leadership would have to ensure strict transparency in negotiated arrangements for a verifiable and effective demilitarization. Unlike the matter of Jerusalem, the Golan is contested not because of emotionalism, symbolism, religious concerns, or strong coalitions of political parties that have staked their future on possessing it, but strictly because of security dilemmas. It is worth noting that the draft essay "leaked" to the London-based Arabic daily *Al-Hayat* on January 9, 2000, by

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the Syrian commentator Sadik J. Al-Azm did not foreclose territorial compromise, any accommodation allowing for "early warning capabilities including an early warning ground station on Mt. Hermon operated by the United States and France under their total auspices and responsibilities," or discussion of the details of "normalizing relations" between Israel and Syria.[41]

Israel's leadership is divided over the Golan issue. Ehud Barak himself is a much-decorated war hero, proven combat commander, and former chief of General Staff, and yet even his perspective changed over time. In the early 1990s, he told the Knesset's Foreign and Defense Committee that from a security standpoint it would be preferable to retain control of the Golan Heights, a position he continued to espouse, often forcefully, throughout his tenure as the IDF's top officer, even though the Rabin government was edging toward a more equivocal stance.[42] After being elected prime minister in May 1999, however, he almost completely reversed himself, and his spokesmen publicly denigrated the Golan's utility.[43] On a number of occasions, he expressed a willingness to return all of the Golan as part of an overall settlement that would include demilitarization, but never clarified what he meant by demilitarization. In his unusual dual capacity as prime minister and defense minister, he kept his own counsel, giving no hint to the IDF of a red line beyond which he would not go.[44] However, in light of all that has transpired since October 2000, the Palestinian issue, not the Golan, is likely to dominate the Israeli political arena for the foreseeable future, irrespective of who emerges the winner on February 6, 2001, from the special election called by Barak—in effect, a referendum on his stewardship.

As for the RMA, all new technology brings change, but change is frequently accompanied by unpredictable and unintended consequences. Air power altered the parameters of the battlefield and gave the edge to those with enormous resources, a large pool of manpower, and strategic depth, until the RMA enabled even a small country like Israel to deter aggression from larger neighboring countries and protect itself from more distant threats. Thus, on the one hand the RMA increases Israel's ability to respond swiftly to attack, but on the other hand spawns a diffusion of missiles and WMD that serves to restrain the IDF's far-ranging mobility and power-projection capability.

The RMA is apolitical. It offers no guidelines for Israeli decision makers now contemplating ambiguous relationships that lie somewhere between war and full peace with Arab countries. It has uncertain utility for the most likely scenarios the IDF will have to face in the decades ahead. Unlike

[41] Sadik J. Al-Azm, "The View from Damascus," *New York Review of Books*, Aug, 10, 2000, p. 65.

[42] Uzi Benziman, "The Shoe Is on the Other Foot," *Ha'aretz*, Apr. 14, 2000.

[43] David Bar-Illan, "Of Generals and Mystics," *Jerusalem Post*, Jan. 7, 2000.

[44] The consideration of demilitarization of the West Bank/Judea and Samaria is beyond the purview of this essay. But from an Israeli military perspective, it does not involve military judgments about the implications and efficacy of the RMA in the way that the Golan does.

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U.S. leaders, who can readily resort to force when frustrated diplomatically, Israel's leaders are subjected to the restraining pressures of international organizations ranging from the U.N. General Assembly to the International Red Cross. Whereas the United States can be mired for years in far-flung military operations (Bosnia, Kosovo, Iraq) without paying a prohibitive price, Israel cannot resort to military action even for limited objectives without risking unacceptable costs. For all the claims of its partisans, the RMA offers no sure guarantee of quick operations or cheap, short, victorious wars. And at the heart of all these discussions in Israel is the insistent question that is political dynamite: when should the country preempt, and with how much force?

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Religion and Ethnic Conflict—In Theory

by James Kurth

At any given time during the past decade, several ethnic conflicts have raged around the world. In the year 2001, these include such well-known cases as Kosovo, Chechnya, Israel, Kashmir, Sri Lanka, and Indonesia. In the view of many political analysts and social scientists, the era of the Cold War and ideological conflict has given way to an era of ethnic wars and cultural conflicts. Whether one subscribes to this characterization or another (one of the most convincing is that this is the era of globalization), ethnic conflict is an undeniable feature of the contemporary sociopolitical landscape.[1]

What is its cause? The problem with answering that question is not the lack of theories, but rather an excess. Around the question of ethnic conflict has sprouted a plethora of answers, a thicket of theories suggesting variously that (1) cultural traditions and historical legacies are giving rise to "primordial hatreds"; (2) the socioeconomic tensions produced by modernization and uneven development stoke violence among ethnic groups; and (3) political disorder and "failed states" create a "security dilemma" between ethnic groups that are often exploited by ambitious and unscrupulous "political entrepreneurs."

In each of these three major theories, religion occupies a crucial position. This is most obviously the case with the cultural explanation, in which the principal content of the historical legacy and primordial hatreds is perceived to be religious tradition and memories of past religious conflicts. It is also the case with the socioeconomic explanation, in which the strains of modernization are said to produce a revival of religion, even an "invention of tradition," in order to give people some stable meaning within the turmoil of socioeconomic change. And it is also the case with the political explanation,

[1] This paper is based on a presentation made to the Foreign Policy Research Institute's Inter-University Study Group on Religion and Ethnicity in International Affairs, Philadelphia, Feb. 28, 2000.

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according to which people seek refuge from the security dilemma in the ruins of failed states by fleeing into the protection of a religious community.

The idea that religion plays a crucial role in ethnic conflict has been attractive to many social scientists, since their personal beliefs have often made them predisposed to be hostile toward religion. If religion can be shown to be a necessary or sufficient cause for ethnic conflict, then that is all the more reason why it would be best if the role of religion in any society (including the United States) declined and even disappeared. Religion certainly seems to have been present in a wide range of ethnic conflicts in the past decade. These include Northern Ireland, Yugoslavia, Egypt, Sudan, Israel, Lebanon, Chechnya, India/Pakistan, Sri Lanka, Indonesia, and the Philippines. Together, these would seem to provide overwhelming evidence that ethnic conflict is caused or at least exacerbated by religion. However, in the case of the most murderous ethnic conflict of all in the 1990s, that of Rwanda, there were no religious differences at all between the Hutu and the Tutsi.

Discerning the pervasive presence of religion in a wide range of ethnic conflicts does not establish religion as the best explanation for those conflicts. Just because a factor (in this case religion) is *present* in a particular case does not necessarily mean that it is *predominant* or even prominent. Other factors may be equally pervasive or more prominent. Socioeconomic differences between ethnic groups alone would certainly provide a good explanation for almost all of the ethnic conflicts listed above. Political change and consequent turmoil also would seem to account for several of the most extensive and violent cases, including Yugoslavia, Chechnya, and Indonesia.

The A Priori and A Posteriori Fallacies

The weakness in using religion to explain ethnic conflict is illustrated by two classical problems in explaining social phenomena: a priori underdetermination and a posteriori overdetermination.

The problem of a priori underdetermination means that, before the fact of a social phenomenon or event, it is rarely possible even for experts to predict with any accuracy that it will occur. For example, as late as 1989 no expert on Yugoslavia was able to foresee the horrendous ethnic conflict that began to unfold in 1991. Even those analysts who devoted their attention to religious differences were surprised by what happened. Conversely, if one were looking at the ethnic tensions in the Baltic republics of the Soviet Union in 1989, one could have easily predicted serious ethnic violence. This would have been especially so if one focused upon the religious differences. Yet although there were persistent ethnic tensions in these countries throughout the 1990s, almost no ethnic violence ever occurred. More generally, the presence of different religions, even different religious communities, in a

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society does not by itself help us to predict accurately an ethnic conflict before the fact. A priori, the conflict is underdetermined, even with the presence of religion as a factor.

Conversely, the problem of a posteriori overdetermination means that, after the fact of a social phenomenon or event, it is always possible to find not just one factor, but several, each of which might be used to construct an explanation for why that event occurred. Indeed, it even seems possible to demonstrate that the event *had* to occur, that it was inevitable. For example, experts on Yugoslavia wrote numerous books in the 1990s purporting to show that the ethnic wars there were readily explained by such factors as religious traditions, socioeconomic tensions, political breakdown, or some combination of them. The other ethnic conflicts mentioned above have, after the fact, been similarly explained.[2] More generally, the presence of different religions, especially different religious communities, in a society can always be used to explain an ethnic conflict after the fact. But this is often equally true of other factors. A posteriori, the conflict is overdetermined, not only by the presence of religion, but by the presence of several other factors as well.

Some social scientists believe that these explanatory problems can be solved through a version of the comparative method by examining, for example, different countries in the same period of time. If a factor is present in many countries, as religion has been in the past decade, then it must be an important one. Conversely, other social scientists believe that the explanatory problems can be solved through a version of the historical method by, for example, comparing the same country in different periods of time. If a factor is present over many periods of a country's history, as religion has been in Yugoslavia, then it must be an important one.[3]

However, even if the factor can be shown to be important in a particular country today, its presence in other countries does not mean that it is similarly important in them. By the same token, a factor might be shown to be important in a particular period of a country's history, but that determination has no bearing on its importance today. To demonstrate importance rather than mere presence in a given country at a given time requires an in-depth analysis of the country's particularities, and not merely a broad comparison of many countries or many periods. This, alas, is not a task congenial to social scientists, at least those whose identity depends upon being "scientific."

[2] For a discussion of the multiplicity of factors making for ethnic conflict in Yugoslavia, see Steve L. Burg and Paul S. Shoup, *The War in Bosnia-Herzegovina: Ethnic Conflict and International Intervention* (Armonk, N.Y.: M. E. Sharpe, 1999), esp. pp. 4–14. The problem of a multiplicity of factors is discussed more generally in the special section on ethnic conflict in *Orbis*, Spring 2000, esp. Foulie Psalidas-Perlmutter, "The Interplay of Myths and Realities," pp. 237–44; and I. William Zartman, "Mediating Conflicts of Need, Greed, and Creed," pp. 255–66.

[3] Michael A. Sells, *The Bridge Betrayed: Religion and Genocide in Bosnia* (Berkeley: University of California Press, 1998).

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The Life Cycle of Religion and Ethnic Identity

The causal relationship between religion and ethnic conflict is made even more problematical because, in many cases, religion *is* ethnicity, that is, the core element of ethnic identity is religious identity. This has been the case in the contemporary conflicts in Northern Ireland, Yugoslavia, Egypt, Lebanon, India/Pakistan, Indonesia, and the Philippines. In each of these situations, virtually no physical or "racial" differences distinguish the groups in conflict, but only differences in religion and in the cultural patterns and social roles derived from religion. In such cases, the relationship between religion and ethnic conflict is not so much a matter of causal theory as it is a matter of definitional identity or even tautology.

Religious identities are commonly transformed over time into ethnic identities. A religion often begins as an abstract creed with potentially universal appeal and scope. In later generations, however, the religion becomes a more concrete set of liturgies and practices confined to a particular community and perhaps even to a particular territory. Still later, the religion may crystallize into an even more concrete set of rituals and customs that clearly separates that particular community from other communities around it: the religious community becomes an ethnic community. The ethnic community is still a religious community in some sense, but its religion is now very different from the one that originated many generations before.

The birth of a new religion is an awesome event. The spiritual world enters into the material world and releases enormous energy. It is, in a way, analogous to the biblical story of the Creation itself. It is also analogous to the scientific formula for the conversion of energy into mass, $E=mc^2$. This release of enormous energy was what happened with the creation of Christianity and its revival in Protestantism, as well as the creation of Islam and Buddhism. The new religions created new authority, with new laws and new forms of obedience (the original meaning of *religious* was *binding*). They also created new communions, and therefore communities, of believers. These new forms of authority and community gave birth to new forms of society.

For the later generations of believers in a given tradition, more-developed material and external forms of the religion were available than for the first generation. But there were also available less-immediate spiritual and inner experiences. With regard to the religious authority, there was, in the words of Max Weber, a "routinization of charisma"; with regard to the religious community, there was a ritualization of communion. In the words of Ernst Troeltsch, the sect became a church.[4] Eventually, the religious commu-

[4] Max Weber, *Max Weber on Charisma and Institution Building: Selected Papers* (Chicago: University of Chicago Press, 1968), esp. pp. 54–61, 268–78; Ernst Troeltsch, *The Social Teachings of the Christian Churches* (New York: MacMillan, 1931), esp. pp. 93–102.

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nity may calcify into being merely an ethnic community. This is probably the case with both the Protestant and Catholic communities in Northern Ireland.

On occasion, however, a religious community may experience a revival, a moment when the spiritual world once again enters into the material one, when the routinized and ritualized forms of religious authority and community are reinvigorated and reformed. This happened in dramatic fashion during the Protestant Reformation and the Roman Catholic Counter-reformation. But religious communities have continued to experience revivals right down to the present time, including evangelical Protestantism, revivalist Islam, and revivalist Hinduism. In a few cases, a religious revival has occurred in a community that previously had almost reached the point of being merely an ethnic one. For example, this kind of religious resurrection seems to have characterized the Islamic revivals in Egypt, Sudan, Lebanon, Chechnya, and India and Pakistan, and among Palestinians. In these cases, a reasonable argument can be made that religion, and specifically religious revival, has played some kind of causal role in ethnic conflict, one that extends beyond merely forming the traditional core of ethnicity.

In other cases, however, the process of routinization has advanced past the point where the religion has crystallized as the traditional core of ethnicity, reaching the point of actual secularization. The spiritual seems to have departed completely, and only the material seems to remain. However, the image of the spiritual lingers in successive but fainter versions of the original religious authority and community, rather like successive and fainter photocopies of an original text. These versions include distinctive conceptions of *secular* authority and community, and also distinctive ideas about politics and economics. Consequently, even when an ethnic community has become completely secularized, it will still hold secular conceptions that bear the imprint of (and are often analogous to) earlier religious ones and are different from the conceptions held by other secularized ethnic communities.

Different ethnic communities that have reached the point of secularization, therefore, will have different conceptions about secular matters, and these differences can contribute greatly to ethnic conflict. This seems to have been the case with the largely secularized Serbs, Croats, and Bosnians in the late 1980s, on the eve of the breakdown of Yugoslavia. There had not been any pronounced *religious* revivals among these three peoples in the 1980s, but there had been *national* revivals in which the different secular beliefs derived from and correlated with the religious beliefs of an earlier time. Some ethnic conflicts, therefore, may not really be between different religions, but rather between different secularizations, each one a descendant (or heretical offshoot) of a particular religion.

This prolonged process of routinization that reaches secularization while still retaining differentiation has characterized various ethnic and national communities among each of the major religions. These include each of the three great branches of Christianity (Roman Catholicism, Protestantism,

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and Eastern Orthodoxy) as well as versions of Judaism, Islam, Buddhism, Hinduism, and Confucianism. We shall discuss several of these secularizations below, because they have much cause indeed to be in conflict with each other.

The Varieties of Secularization

Where secularization has occurred around the world, the result has not been one common secular philosophy, but rather a variety of different beliefs. Each religion has secularized in its own distinctive way, resulting in its own distinctive social outcome. These differences will not soon bring about a common global worldview, but rather a continuing clash of secularizations. We shall begin with a review of the most pronounced secularization of all, that of Protestant Christianity.

The Protestant Reformation originated in northern Europe and quickly split into two main branches, Lutheranism and Calvinism. The latter became known as the Reformed religion, encompassing Presbyterians, Congregationalists, and a wide variety of "dissenting" churches. Lutheranism came to dominate northern Germany and the Scandinavian countries; the Reformed churches came to dominate the Netherlands, Scotland, and the United States and to be prominent in England.

The Reformed version of Protestantism, more than any other major religion, emphasizes the individual believer's direct relationship with God. It has no place for intermediaries between the believer and God and therefore no place for a religious hierarchy. It also has no need for communal rituals to achieve salvation and therefore little need for a religious community. This rejection of religious hierarchy and community has had momentous consequences for the way that peoples with a Reformed tradition have dealt with the secular realms of economics and politics. It led, most notably, to a rejection of secular hierarchies and communities. In brief, Reformed theology gave rise to liberal ideology. In the realm of economics, Reformed peoples (as in Britain and the United States) have been especially inclined toward the ideas of capitalism and the free market, as Max Weber famously analyzed in *The Protestant Ethic and the Spirit of Capitalism.* In the realm of politics, Reformed peoples have been especially inclined toward the ideas of liberalism and democracy, particularly liberal democracy, as Alexis de Tocqueville famously analyzed in *Democracy in America.*[5]

Lutheranism, the other main branch of Protestantism, also resisted the Roman Catholic hierarchy that fanned out from the pope and struggled against the notion that salvation could be achieved through good works

[5] Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (New York: Scribner, 1958); Alexis de Tocqueville, *Democracy in America* (New York: Random House, 1945), esp. vol. 1, pp. 33–47.

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within the religious community. Unlike the Reformed churches, however, Lutheranism retained a religious hierarchy at the national level, which culminated in state churches led by secular monarchs. It also retained some sense that the religious community was useful for a variety of religious purposes. This attenuation, stopping short of an outright rejection of religious hierarchy and community, meant that Lutheranism gave rise to unique ways of dealing with the secular issues of economics and politics. In the realm of economics, Lutheran peoples (as in northern Germany and Scandinavia) have tended to favor the ideas of state regulation and planning. In the realm of politics, they have been especially inclined toward the ideas of social democracy.

The Protestant Reformation did not succeed in converting Southern or much of Central Europe. Rather, the Counterreformation succeeded in revitalizing the Roman Catholic Church in these regions, complete with a highly articulated theology of papal hierarchy and parish community forming a truly universal (the original meaning of *catholic*) church. The accentuation of religious hierarchy, community, and universality meant that Roman Catholicism gave rise to yet another approach to the secular realms of economics and politics, although it also led through the peculiar path of anti-Catholicism. In economics, secularized Catholic peoples (as in France, Italy, Spain, and much of the Habsburg empire) were especially inclined toward Marxist ideology, the universal conceptions of which they found inherently appealing. In politics, they were especially inclined toward socialist (but not necessarily communist) parties with highly structured organizations emphasizing both hierarchy and community.

Finally, in the Christian world, the various Orthodox churches in Eastern Europe and Russia had yet another conception and configuration of religious hierarchy and religious community. Like Lutheran Protestantism only more so, they have emphasized a national religious hierarchy culminating in a state church. Like Roman Catholicism only more so, they have emphasized the local religious community with intense communal bonds. This accentuation of religious hierarchy, community, and nationality meant that Eastern Orthodoxy gave rise to its own distinctive approach to the secular realms of politics and economics, including the tendency to assert the primacy of politics over economics. In politics, secularized Orthodox peoples have been especially inclined toward varieties of communalism and populism, which at the national level have led some groups toward ethnic nationalism and others toward communism. These political attitudes, in turn, have generally inhibited the development of individual economic initiative. It is no accident that the entrepreneurial spirit of Eastern Orthodox peoples, even secularized ones, is relatively underdeveloped. Indeed, in most Eastern Orthodox countries, the entrepreneurs were normally found among the Jewish or Protestant minorities. In Yugoslavia, they were found among the predominantly Catholic populations of Slovenia and Croatia and not among the

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once-Orthodox but now-secularized Serbs. The close correlation between ethnic identity and economic proficiency, and the resulting sharp contrast between the poor ethnic majority and the rich ethnic minority, have reinforced the communalist and populist politics of Eastern Orthodox peoples and the hostility between different ethnic groups, even when they have become largely secularized, as in Yugoslavia.

Moving to Judaism, it must of course be noted that Jews were historically a minority within the European or Muslim countries in which they resided. Perhaps this explains why secularized Jews have been inclined to a rather wide variety of different ideologies, often corresponding to the dominant ideology of the secularized Christians around them. It seems, however, that the commitment of secularized Jews to any particular ideology has often been more intense and extreme than that of the secularized Christians. Thus, in Western Europe and the United States, secularized Jews have been especially inclined toward liberalism and have been among its most consistent advocates. In Central Europe, secularized Jews were especially inclined toward Marxism and were among its most ardent proponents. In Eastern Europe and Russia, many secularized Jews were especially inclined toward Zionism, which can be seen as being strongly communalist, populist, and ethnic nationalist. Others, of course, were especially inclined toward communism and indeed were among its most vigorous defenders (until Stalin, in the last years of his rule, turned against communist Jews).

Confucianism, by contrast, is not quite a religion in the sense of the others discussed. It lacks a highly articulated conception of the spiritual world, that is, a theology. It does, however, have one of the most highly articulated conceptions of what hierarchy and community should be in the temporal world and thus is something like an ideology. Like almost all other religions, Confucianism has emphasized both hierarchy and community. In these respects, it has probably been most similar to Roman Catholicism. In addition, however, it has also emphasized individual achievement within strict hierarchical and communal norms acquired through study of the Confucian texts and demonstrated in written examinations governing advancement in the state bureaucracy, or through economic effort and initiative, which benefited the local community as well as the individual. In these last respects, Confucianism has been curiously similar to Judaism, which emphasized the learning of the Torah and the Talmud as well as entrepreneurship and communal responsibility. The great economic success of both Jewish and Confucian minorities in a wide variety of modernizing societies has made both of them frequent targets of ethnic hostility. The accentuation of hierarchy, community, and constrained individual achievement has given rise to an inclination among Confucian peoples toward state authoritarianism in politics and toward state-guided capitalism (the "developmental state") in economics.

Most peoples adhering to the other major religions (Islam, Hinduism, and Buddhism) have not undergone a process of secularization to the degree

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that it has occurred in the West (among Christians and Jews) and in East Asia (among Confucians). If the peoples of these religions become secularized on a large scale, however, they will retain their own distinctive conceptions and configurations of hierarchy and community, which will have implications for their ideas about politics, economics, and the individual. These, in turn, will no doubt contribute to whatever ethnic conflicts arise between secularized Muslims and secularized Hindus in India and Pakistan, between secularized Hindus and secularized Buddhists in Sri Lanka, and between secularized Muslims and secularized Confucians or Christians in Indonesia.

Modernist and Postmodernist Perspectives

The effort to blame religions rather than various competing forms of secularization for most of the ethnic conflicts of our time is not really the result of findings derived from the methods of social science or conclusions derived from a series of detailed country studies. It is rather a result of viewing religion, secularization, and ethnic conflict from a particular perspective or paradigm, either the modernist or the postmodernist.

The more important of these two perspectives is the modernist, since it is favored by most intellectuals and academics, as it has been since the Enlightenment. The modernist perspective has had a particular and, as it turns out, peculiar view of religion and secularization. Beginning with the Enlightenment, modernists have entertained the prospect that every instance of secularization would resemble every other and that the different religions would eventually arrive at the same secular and "rational" philosophy. This prospect seemed natural enough during the eighteenth and nineteenth centuries, when the only prominent secularization in train was that of Christianity. But even at that time, it should have been clear that secularized Protestantism would differ markedly from secularized Catholicism and that even differences among the secularized Protestant denominations themselves would persist.

Religious communities, in the modernist presumption, are almost like social fossils.

In the simplest version of the modernist view, Enlightenment and secularization progressively spread from the educated elite to the masses, from the center of society to the periphery. Any remaining religious communities consist of those people considered geographically, economically, or ethnically marginal. Religious communities, in the modernist presumption, are almost like social fossils.[6]

On occasion, of course, these fossils may come into conflict with each other or with the enlightened center and the secularized groups of society. In

[6] Steve Bruce, *Choice and Religion: A Critique of Rational Choice Theory* (New York: Oxford University Press, 1999).

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doing so, they introduce bizarre and atavistic conflicts—ethnic conflicts—into an otherwise modern, secular, and rational world. Religion is thus the root cause of ethnic conflict: Q.E.D. Leading contemporary examples in the modernist analysis are Northern Ireland (1960s–1990s), Lebanon (1970s–1990s), Yugoslavia (1990s), Sri Lanka (1980s–1990s), and Kashmir (1940s–1990s). Some would also add evangelical Christians as a source of ethnic conflict in the contemporary United States. Still, from the Enlightenment or modernist perspective, these religious conflicts, although horrendous and dangerous, are peripheral in space and temporary in time. In the end, secularization (massively reinforced in the past decade by globalization) will eliminate these holdovers and the religious conflicts their survival engenders.

A somewhat more sophisticated modernist perspective, alternatively, understands religious expression to be, on occasion, a reaction against the Enlightenment and modernization. The prototype for this interpretation emerged in early nineteenth-century Europe, with the Metternichian Restoration considered the model of political reaction to the French Revolution and Romanticism the model of the cultural reaction to rationalism. In this interpretation, entire societies (including elites and ethnic majorities and not just marginal groups) are considered to be reacting against the Enlightenment and modernization in an irrational, unreasoning, "fundamentalist" fashion. Leading contemporary examples fitting this analysis include the Islamic revolution in Iran (1970s–1990s), the Islamic revival in the Arab world (1980s–1990s), and the Hindu revival in India (1990s). These religious reactions have contributed greatly to many of the major ethnic conflicts of the last generation (Lebanon, Sudan, Egypt, India/Pakistan, and Israel/Palestine). But here, too, modernist theorists consider these religious reactions to be peripheral and temporary, although they take place on a larger scale and are of a longer duration than the reactions of marginal groups. In the end, secularization, now in tandem with globalization, must sooner or later convert even those fundamentalist societies.[7]

However, it is important to note (as the modernists often neglect to do) that revivalist Islam and even revivalist Hinduism have been reactions not just to the *successes* of modern, secular ideologies and projects, but also to their *failures*. Such revivals are not merely antimodern religious reactions, but postmodern political religions. Revivalist Islam is a response to the failures of Arab nationalism and socialism and of Iranian nationalism and modernization. Revivalist Hinduism is a response to the failures of Indian socialism and modernization. It is interesting that, even as the failures of the Arab, Iranian, and Indian secular ideologies were becoming evident in the 1970s and 1980s,

[7] This modernist view is discussed and critiqued in Jeff Haynes, ed., *Religion, Globalization and Political Culture in the Third World* (New York: St. Martin's Press, 1999); and Mark Juergensmeyer, *The New Cold War? Religious Nationalism Confronts the Secular State* (Berkeley: University of California Press, 1993).

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none of the American professional (and secular) experts on these areas predicted the religious revivals.

At a still more sophisticated level, some modernists imagine religious revivals to be an expression of a reform impulse aimed at distortions of the Enlightenment and modernization. This version of the modernist perspective sees free markets and liberal democracy to be the culmination of Enlightenment values and of the norms for the good society, and accordingly depicts both communism and right-wing authoritarianism as distortions of the Enlightenment. From this perspective, opposition to those political ideologies, some of it arising from religious communities such as the Roman Catholic Church (as in Poland, Brazil, and the Philippines), provides a useful correction to distorted forms of modernization. But from the modernist perspective, the hope and expectation is that religions too will disappear after they have performed their proper (and temporary) task in overthrowing the perversions. Indeed, now that Soviet communism and Latin authoritarianism have disappeared, most modernists wish that the Roman Catholic Church would disappear, too.[8]

In conclusion, modernist theory perceives religion as the root cause of ethnic conflict and cites as the strongest contemporary evidence the Islamic revival, which clearly seems to have exacerbated the ethnic conflicts in Lebanon, Sudan, Egypt, Chechnya, Kashmir, and, in the past year, between Israelis and Palestinians. In other contemporary cases of ethnic conflict, however, the role of religion seems to have been limited to providing the traditional basis for an ethnic identity that actually has come to include numerous nonreligious or even secular elements. This seems to be the situation in Northern Ireland, Sri Lanka, and Indonesia. And in at least one important case, Yugoslavia, the ethnic conflict might best be interpreted as a conflict between different secularizing movements, and is therefore far from being a conflict between different religions. In other words, secularization (and even modernism) can be a root cause of ethnic conflict as well.

The post-Enlightenment, postmodernist perspective that has been so prevalent in academic circles in recent years joins with the modernist one in its rejection of traditional, premodern religions. But postmodernism *also* rejects the modernist values of rationalism, empiricism, and science, and condemns the "Enlightenment project" with its modernist structures of capitalism, bureaucracy, and even liberalism. The core value of postmodernism is expressive individualism, and while it may include expression of "spiritual experience," it must be devoid of religious (that is, binding) constraints. The ideal-typical postmodernist spiritual expression is so-called New Age religion, but postmodernists are also drawn to superficial, Americanized versions of certain Eastern religions, especially Buddhism and Hinduism (what might be

[8] The contemporary opposition by modernists to the Roman Catholic Church is described by George Weigel in *Witness to Hope: The Biography of Pope John Paul II* (New York: HarperCollins, 1999), esp. chaps. 18–19.

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termed Buddhism Lite and Hinduism Lite), as well as Americanized versions of nature worship (a sort of neo-paganism).

For the most part, however, postmodernism is hypersecularism, and it joins modernism in predicting and eagerly anticipating the disappearance of traditional religions. Secularization and globalization, by breaking up and dissolving *every* traditional, religious, local, and national structure, will bring the universal triumph of expressive individualism and individual expression. This, in turn, will mean the end of exclusive and intolerant group identities, including ethnic identities, and therefore the end of ethnic conflict.[9]

In its own superficial way, postmodernism oddly has arrived at a more profound understanding of the problem of ethnic conflict than has modernism. Since modernists believe that the root cause of ethnic conflict is religion, eliminating ethnic conflict requires eliminating religion. Postmodernists go further still, believing that the root cause of ethnic conflict is ethnic community, indeed ethnic identity itself; hence, to eliminate ethnic conflict one must eliminate ethnics. Undoubtedly, that would be the final solution to the problem of ethnic conflict.

The Uncertain Promise of Religious Solutions

Is it possible that religion itself can help in finding *solutions* to the problem of ethnic conflict? Certain religious practices offer some reasons to think so.[10] Almost all faiths include a process by which members of the religious community who have quarreled and hold grievances can be brought to a state of reconciliation. The process normally requires each party to engage in a sequence of steps including (1) acknowledgment of the harm that one has caused the other, (2) repentance or atonement for one's actions, (3) restitution or compensation for the harm done, and (4) requesting and receiving forgiveness from the other party. This process is an explicit recognition and institutionalization of a central teaching of all religions, namely, that the perspectives and interests of the individual are always subordinate to a higher law or norm. This reconciliation process, moreover, is conducted by the leaders of the religious community, either religious authorities or respected elders, whose functions include (1) mediating between the parties, (2) reinterpreting the issues and grievances to reduce the rigidity of the opposing positions, (3) legitimating the eventual agreement and resolution, and (4) routinizing the resolution by providing continuing oversight and support for it.

[9] The postmodernist view is discussed and critiqued in Ernest Gellner, *Postmodernism, Reason, and Religion* (New York: Routledge, 1992); and Paul Heelas, ed., *Religion, Modernity, and Postmodernity* (Malden, Mass.: Blackwell Publishers, 1998). A leading postmodernist political theorist, William E. Connolly, critiques secularism in *Why I Am Not a Secularist* (Minneapolis: University of Minnesota Press, 1999).

[10] Marc Gopin, *Between Eden and Armageddon: The Future of World Religions, Violence, and Peacemaking* (New York: Oxford University Press, 2000).

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Since different religious communities have similar reconciliation processes, some common concepts and norms could potentially open avenues to resolving disputes within religious communities and even between them. Of course, the problem arises that the leaders of each community will naturally see themselves as the representative of their own community (or party) against the other, rather than as the impartial judge over disputing members of a single community. Representatives of religious institutions do not normally find it in their interest to take the side of members of another community against members of their own, hence religious leaders' rather unimpressive record in resolving contemporary ethnic conflicts.

However, Pope John Paul II has recently taken the lead in having the Roman Catholic Church engage in the process of acknowledgment, repentance, restitution, and forgiveness, particularly toward Protestants and Jews. And during the ethnic conflicts in Lebanon and Bosnia he spoke out for reconciliation to the different religious communities in those countries, including the Roman Catholic one. Unfortunately, the religious leaders of those communities did not respond, perhaps because most of the communities were not really religious, but merely ethnic, and therefore their religious leaders were not their real leaders at all.

Modernism, Religion, and Ethnic Conflict

What then can we conclude about the role of religion in the ethnic conflicts of the past decade? First, religion has indeed been present in most of these conflicts. However, socioeconomic tensions, such as those resulting from the uneven development of ethnic groups, have been present in just as many of them or more, and political turmoil, such as that resulting from the pervasive insecurity in failed states, has been present in several conflicts as well. Furthermore, in many of these cases (particularly those not involving revivalist Islam or revivalist Hinduism), religion was a relatively constant factor prior to the outbreak of the ethnic conflict, while economic tensions and political turmoil were factors that had undergone a major change not long before the outbreak. This indicates that economic tensions or political turmoil provides a better explanation for the conflicts than religion. It normally is assumed that a change such as the outbreak of ethnic conflict is better explained by a prior change than by a constant.

Secondly, in most of these ethnic conflicts (again, particularly those not involving revivalist Islam), when religion has been present, faith, belief, and creed have not played prominent roles. Rather, the "religion" has amounted to little more than the rituals and customs forming the core traditions of an ethnic community. In these cases, one cannot say that religion is the cause of ethnic conflict, but only that ethnicity is the cause of ethnic conflict, which is merely a tautology.

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Thirdly, however, there have indeed been some cases where a major change took place within the religious sphere prior to the outbreak of the ethnic conflict, in particular a religious revival such as occurred with revivalist Islam. This change resurrected the religion from the torpid condition of ritual, custom, and ethnicity and propelled it once again into the exalted state of faith, belief, and creed. In these cases, one can indeed conclude that religion played a crucial role in the ethnic conflict. Although it is conceivable that an ethnic conflict might have occurred even if there had never been an Islamic revival, the particular character and intensity of the conflict have been shaped by the distinctive character and intensity of revivalist Islam.

But what brought about revivalist Islam? One could say that one cause was the religion itself, but this would be a far from complete answer. Islam in its original form had undergone a prolonged period of decline (which in some places was a decline into ethnicity). By the mid-twentieth century in many Islamic countries, it had largely been overshadowed by secular beliefs and movements, such as nationalism and socialism. It was the failure of those secular projects and the void they left behind that provided the opening for a new form of Islam, a sort of political religion. And it was the success of another secular project, the liberalism and globalization led by the United States, that presented a challenge to the ethnic identities and traditions of the Islamic world and therefore imparted a new energy to Islam. The new form and new energy came together to create revivalist Islam, which in turn brought new form and new energy to ethnic conflict.

In sum, the ultimate cause of even those ethnic conflicts that do involve revivalist Islam is not really religion. Instead, it is a bizarre conjunction of the failure of two of the great *secular* projects of the twentieth century—nationalism and socialism—and the triumph of the third secular project—liberalism. In a sense, therefore, the cause of ethnic conflict is its purported cure: modernism itself.

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Review Essays

Guides to Globalization

by Arthur I. Cyr

The Challenge of Global Capitalism: The World Economy in the Twenty-First Century. By Robert Gilpin. (Princeton, N.J.: Princeton University Press, 2000. 385 pp. $29.95.)

Global Transformations: Politics, Economics and Culture. By David Held, Anthony McGrew, David Goldblatt, and Jonathan Perraton. (Stanford, Calif.: Stanford University Press, 1999. 538 pp. $75.00; $29.95, paper.)

A Future Perfect: The Challenge and Hidden Promise of Globalization. By John Micklethwait and Adrian Wooldridge. (New York: Random House/Crown Business, 2000. 396 pp. $27.50.)

The Rise of the Virtual State: Wealth and Power in the Coming Century. By Richard Rosecrance. (New York: Basic Books, 1999. 303 pp. $26.00; $15.00, paper.)

Globalization and Its Discontents: Essays on the New Mobility of People and Money. By Saskia Sassen, with a foreword by K. Anthony Appiah. (New York: The New Press, 1998. 289 pp. $25.00; $15.95, paper.)

The Myth of the Powerless State. By Linda Weiss. (Ithaca, N.Y.: Cornell University Press, 1998. 277 pp. $49.95; $17.95, paper.)

"Globalization" is all the rage—in more than one sense—and the torrent of new books on the subject has inundated the business, public affairs, and social science sections of virtually every major bookstore. Yet the politically charged debate and growing public awareness have fostered little consensus regarding the elements, definitions, or measurements of the phenomenon. Nor has all the excited prose yielded any consensus concerning how threatening or promising the process of globalization may become.

At the most sophisticated level, the discussion is reminiscent of the interest generated in the late 1960s over "post-industrial society." That era's

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rapid social and political change, which included considerable civil unrest, seemed to be associated with important economic shifts. The prefix *post* implied certainty about where society had been, but mystery about where it was headed, as suggested by pop song lyrics of the time: "Something's happening, but you don't know what it is" and "Something's happenin' here—what it is ain't exactly clear." In similar fashion, students of globalization today are feeling their way through a murky, novel environment, and all they have to guide them are distinctly doctrinal maps drafted in an earlier era.

Activists' hostility toward globalization has been inspired by all sorts of concerns jumbled together in a political coat of many colors. For instance, the large demonstrations against the World Trade Organization (WTO) in Seattle, which resulted in violent clashes with police in 1999, brought together American trade unionists concerned about jobs allegedly lost to cheap overseas labor, human rights activists decrying the exploitation of Third World workers, opponents of the North American Free Trade Agreement (NAFTA) warning of inadequate health and safety standards in cross-border transportation and production, environmentalists focused on the dangers of pollution, naturalists alarmed by threats to turtles and other creatures, and people who simply distrust, fear, or hate giant organizations. President Bill Clinton, a politician exceptionally talented at identifying and using popular trends, addressed a Seattle WTO plenary session and was clearly surprised at the size and intensity of the protests. The Seattle experience has since become a metaphor for the new populist attacks on international institutions. Since its inception, the WTO fostered such reactions because of its secretive style and sluggish public education and public relations, although it is showing signs of improvement in these respects.

In the 1960s, demonstrations and riots erupted in U.S. cities, ignited by issues of race and war, and blended with similar protests in Europe under Marxist, Maoist, and Castroite banners. But the radicalism of that era eventually faded in political impact, and the anti-WTO movement may go the same route—or it may spawn a global network of resistance that the radicals of three decades ago never achieved. For many, there is something inherently insidious about perceived *global* trends, peace and general prosperity notwithstanding, because they imply there is no escape from them. As the authors of one of the most engaging books reviewed here state, "Globalization is a subject in which the devil has tended to have all the best tunes" (Micklethwait and Wooldridge, p. ix).

Some Definitions

At the most basic level, an understanding of globalization begins with the recognition that international trade and investment have expanded rap-

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idly in recent years in tandem with the number and capitalization of multinational firms. Beyond that, scholars dispute the specific characteristics, the interactions among components, and the likely consequences of globalization. *The Globalization Ledger*, published by the management consulting firm A. T. Kearney, provides a straightforward economics-oriented definition: "the integration of economies around the world." But the passage immediately following acknowledges the political aspect of the phenomenon by observing that globalization "has inspired passionate debate, angry op-eds and frequent protests, with little resolution in sight."[1]

As author William Safire constantly and skillfully reminds us, the evolution of language can illuminate often-subtle social, political, and intellectual shifts. *Globalization* is still a young word, an attribute that no doubt heightens its appeal to the publishers of business books, who are always anxious to coin a new term or at least exploit one. An informal review of English-language dictionaries reveals that while *global* and *globalism* are long-established standbys, *globalization* was not regularly included until the 1980s. The authoritative reference, the second edition of the *Oxford English Dictionary*, notes that *global* was used in the late nineteenth century in reference to all components of any category, that *globalism* emerged in the twentieth century as the opposite of *isolationism*, and that *globalised* in an economic sense appeared by 1961, in the *Economist*, but was also used in that decade as a variation of *globalism*. Meanwhile, Marshall McLuhan had coined "global village" to describe an era in which people worldwide have instant awareness through communications of breaking events, and the popularity of his writing in the 1960s indicated that many people were drawn to his concept of television as a great unifier.[2]

During World War II, the redoubtable Clare Booth Luce, Republican stalwart and wife of *Time* magazine publisher Henry Luce, belligerently denounced as "globaloney" a proposal from Vice President Henry Wallace that the world would benefit if all nations shared air routes. This sneering jibe continues to reverberate in the streets of Seattle, in the growing debate about global trends, and in lingering popular skepticism in the United States about global dreams, schemes, and institutions.[3]

Yet since that time the overriding American commitment to internationalism has consistently and strongly had the support of the public. The Gallup Poll measured a fundamental attitude shift in the months after Pearl Harbor, when for the first time the American people declared that their country should play an "active role" in world affairs. U.S. leaders even before

[1] "Global Business Policy Council," *Globalization Ledger*, Apr. 2000 (Alexandria, Va.: A. T. Kearney), p. 1.

[2] *Oxford English Dictionary*, 2nd ed. (Oxford: Clarendon Press/Oxford University Press, 1989; reprinted 1991 with corrections, 1998, 2000), vol. 6, p. 582.

[3] James L. Baughman, *Henry R. Luce and the Rise of the American News Media* (Boston: Twayne Publishers/G. K. Hall and Co., 1987), p. 135. Wallace had a series of utopian "common man" suggestions that helped lead to his removal from the 1944 Democratic ticket.

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the end of the war joined with British counterparts to develop the Bretton Woods institutions to promote international economic development, trade, and finance. The end of the Cold War, the collapse of the Soviet Union, and the opening of the former communist bloc to outside investment and commerce have created an economic arena that is truly global insofar as no major region or ideology remains in opposition to, or in isolation from, the capitalist marketplace. This historic triumph of free enterprise over communism began just a little over a decade ago and is still unfolding; hence the disagreement over the characteristics of globalization should not surprise.

The works reviewed here include some of the more important contributions to this ongoing debate and represent broader developing currents of discussion and opinion. While almost all the authors of the works selected are social scientists, only one (Jonathan Perraton) is an economist—an important point raised in the review of Gilpin's book.

Economics, Politics, and Political Economy

Robert Gilpin, Eisenhower Professor Emeritus of the Woodrow Wilson School at Princeton, gives us, in *The Challenge of Global Capitalism*, an extremely well written, lucid, and persuasive analysis of international economic developments and their political implications and results, solidly grounded in history. Gilpin stresses the benefits of traditional liberal economics, the flaws of protectionism, and the extraordinary long-term accomplishments of government-regulated capitalism in providing unprecedented prosperity for most (but not all) of the populations in the industrialized nations, accompanied by rapidly expanding living standards in much (but not all) of the developing world. Gilpin's clarity of thought and expression should bring his volume to a wide audience of both specialists and serious general readers.

Gilpin charges American economists with "writing incomprehensible technical papers."

One of this work's principal concerns is the widespread misunderstanding of the political implications of global economic developments, for which Gilpin (whose primary discipline is political science) lays a good deal of blame at the feet of academic economists. "Too many American economists are content," he charges, ". . . writing their frequently incomprehensible technical papers and to remain aloof from public discussions of crucial issues of economic policy" (p. 18).[4]

The Clinton administration also comes in for harsh treatment. Gilpin argues that the administration was initially too alarmist, reflecting the influence of those who warned that the United States was under economic attack,

[4] Francis J. Gavin makes a similar point in his review essay "Economists to the Rescue," *Orbis*, Spring 2000, pp. 324–30.

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especially by Japan, and had to respond in a manner similar to the Cold War–era defense of U.S. security. At the same time, Gilpin believes that the unprecedented American trade deficits and the lack of reform of the International Monetary Fund (IMF) and other multilateral institutions have elicited insufficient alarm. He specifically faults Clinton's inattentiveness to foreign policy, while on balance praising Secretary of the Treasury Robert Rubin's stance in favor of free trade and against confrontation with Japan.

Gilpin employs history as well as more recent developments to shed light on important dimensions of the globalization debate. Despite the popular image of predatory global corporations descending on Third World nations, for example, he notes that most foreign direct investment takes place among industrialized nations themselves. The growth of foreign direct investment has brought more headquarters or branches of multinational firms to the United States than to any other country. Gilpin acknowledges the growth in income disparity in the United States over the past three decades and believes that globalization played some role in the trend. Nevertheless, he argues that retreating to protectionism would only exacerbate the problem by reallocating resources from investors and consumers at large to specific protected sectors of capital and labor.

A useful complementary volume is *The Rise of the Virtual State*, by Richard Rosecrance. This is not a work of political economy so much as a lively examination of the ways in which the development of the international economic system may challenge the traditional nation-state. Rosecrance, a professor of political science and director of the Ronald W. Burkle Center for International Relations at UCLA, brings to his book a background in defense and security studies. As in previous works, including *Action and Reaction in World Politics*, he demonstrates historical expertise, theoretical imagination, and a capacity to combine the two in thought-provoking prose.

A central proposition of his latest book is that economic transformation has become so extensive that traditional nation-states based on territory no longer have any assurances of power, to say nothing of "hegemony," over the activities of their own citizenry. Fluid movements of capital, labor, and information have undercut the importance of territorial control. Rosecrance has long been a student of the dichotomy of trade and territory, which he first articulated a decade and a half ago in *The Rise of the Trading State*.[5] His new work conveys a sense of optimism about our current "global economic revolution." In the industrial age, machines would "gear labor to their operations." By contrast, today people "shape, redesign, or ignore machines. . . . The human being has begun to emerge from the straitjacket of the industrial system" (p. 210). Concerns about values animate the author's advocacy.

[5] Richard Rosecrance, *Action and Reaction in World Politics: International Systems in Perspective* (Boston: Little, Brown and Co., 1963); *The Rise of the Trading State: Commerce and Conquest in the Modern World* (New York: Basic Books, 1986).

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While stressing that military policies must be drastically rethought, he celebrates the enormous expansion of opportunity for individual liberty and creativity.

The Business Journalists

As the title implies, John Micklethwait and Adrian Wooldridge's *A Future Perfect* reflects the optimistic credo of globalization. In a fluid literary style that one would expect from two journalists from the *Economist*, the authors have set themselves the task of reporting on the process, rather than providing policy research and analysis. They present a fascinating, kaleidoscopic report filled with colorful personalities, organizations, and events, very much in the fashion of Thomas Friedman's best-selling *The Lexus and the Olive Tree*.[6]

Micklethwait and Wooldridge share the entrepreneur's insight that the status quo is not static, executive judgment determines organizational fate, and the size of the economic pie is not fixed. They identify five "myths" of globalization and debunk them in turn. Among the lessons they draw are that globalization is *not* a zero-sum game, familiar principles of economics still obtain, and geography still matters (pp. 99–118). Displaying a knowledge of history that gives them an important advantage over most of their American counterparts, they point out that, so far, globalization has only returned the industrialized world to the relatively high levels of overseas production, investment, and trade that characterized the end of the nineteenth century.

Elsewhere, however, the book's breezy generalizations detract from its persuasiveness. For instance, opponents of globalization include "just about every French leader you have ever heard of" (p. 109), while German universities have become "an expensive joke" (p. 303). A vulgar remark on White House tapes by President Nixon about the Italian lira is unintentionally misquoted howlingly in a scatological mix-up (p. xix).

A further weakness of the book is that its many intriguing observations are not systematically integrated. The authors note, for example, that the notorious job-hopping in Silicon Valley occurs mainly at the top and bottom rungs within firms, but not in the middle. Elsewhere, they quote management expert Peter Drucker as stating that today we can no longer assume that organizations will outlive people. But they do not explore a possible connection between the two insights, whereas someone such as Drucker would pursue the notion relentlessly.

But these are a critic's quibbles with what is on the whole a highly readable book. Buy it for an airplane ride; the authors would appreciate the

[6] *The Lexus and the Olive Tree* (New York: Anchor Books/Random House, 2000) is similar to *A Future Perfect* in using highly personalized and vivid observations, but provides no text notes.

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symbolism as well as the sale. They inform readers at the outset that the book "is being written somewhere between Los Angeles and New York City . . . in an American airplane that nevertheless contains parts from forty countries, owned by an American airline with future prospects to be determined by overseas collaboration, on an IBM laptop computer made in Mexico" (p. vii). The globe-trotting journey with these two is rewarding and engaging, leaving an impression of the authors as an irreverent combination of Adam Smith and Marco Polo.

The Compendium

In sharp contrast to *A Future Perfect* stands *Global Transformations*, a thorough, orderly, long, and ultimately cautious work by David Held, Anthony McGrew, David Goldblatt, and Jonathan Perraton. The authors, professors or lecturers in various disciplines in the social sciences at the Open University and Sheffield University in England, have produced a book that is heavy on conceptualization and at times overburdened by jargon. As they state in the introduction, their basic concern is with the "extensiveness . . . of relations and connections," the "intensity of flows and levels of activity," "the velocity or speed of interchanges," and the "impact" of such global activities on "particular communities" (p. 17).

One of the book's great strengths is the large number of informative tables, charts, and graphs showing long-term patterns of development and highlighting the character of domestic and foreign investment, evolution of production, flows of trade and investment, and in particular the importance of communication and transportation. The historical breadth—the book traces changes across centuries—is both ambitious and useful in framing the current debate on globalization.

The geographic scope of the book matches the historical, and the authors, avoiding any Eurocentrism, introduce to their discussion a rich diversity of data, which is entirely fitting to the subject matter. The section on migrations as a factor in globalization is representative:

> The most important early large-scale migrations occurred in Asia. At their hub lay Chinese civilization with its fluctuating peripheries around a river valley core. . . . These immense migrations are comparable in size to the great migrations of the eighteenth and nineteenth century, though their geography is regional rather than global. Moving in the opposite direction nomad armies north of the Great Wall . . . penetrate[d] deep into China itself, as well as across the Asian land mass and as far as Europe and the Middle East (p. 287).

The authors go on to discuss migrations in the Pacific, the Middle East, Africa, Europe, and the Americas, comparing them to contemporary shifts.

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Global Transformations is thus an encyclopedic reference work depicting globalization as a phenomenon far broader than one of economics alone. The extensive bibliography serves as a useful directory to the plethora of topics and themes brought under the umbrella of globalization. The authors occasionally demonstrate a welcome sense of humor and point out the relevance of popular culture to discussions of globalization. They are not afraid, for example, to list the pop star Madonna among the "dominant motifs" of what they call the "hyperglobalists" (p. 10).

The Metropolitan Visionary

In *Globalization and Its Discontents*, Saskia Sassen of the University of Chicago continues to explore topics that she has addressed throughout her career. A decade ago, her imaginative *The Global City* analyzed the international roles of London, New York, and Tokyo, and showed how each has become a center for extraordinary concentration of financial resources and activities distinctive from the surrounding nation-state. In the recent *Guests and Aliens*, she stressed patterns and issues in European immigration and their effect on economic development. Sensitive to questions of equity and justice, she speculated that working-class immigrants constituted a new "frontier" in the midst of long-established societies.[7]

Globalization and Its Discontents evaluates what Sassen calls the "Global Grid of Strategic Sites," resulting in "the growing digitalization and globalization of leading economic sectors . . . the hyper-concentration of resources, infrastructure, and central functions, with global cities as one strategic site . . . [and] the growing economic importance of electronic space." All of this leads to "new forms of segmentation in electronic space" (p. 191). She is especially concerned with greater inequalities resulting from these trends. Such dense, theoretical prose, often characteristic of social scientists seeking new insights, is admittedly not to everyone's liking.

Sassen's books make clear that a working definition of globalization must take into account both the city and the immigrant. The contemporary sprawling metropolis is fundamentally different from cities and city-states of the past, but all of them have the effect of breaking people away from traditional practices. She rightly stresses that new challenges also confront the nation-state as economic boundaries become blurred and global integration proceeds. Urban migration directly affects the global economy, as became evident, for example, in recent increases in world oil prices and the unexpectedly high demand for automobiles.

[7] *The Global City: New York, London, Tokyo* (Princeton, N.J.: Princeton University Press, 1991); *Guests and Aliens* (New York: The New Press, 1999).

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On the Left

Linda Weiss, professor of comparative politics at the University of Sydney, attacks the proposition that the nation-state is losing its influence over the economy. In *The Myth of the Powerless State*, she argues that the state remains the prime mover in the economy, managing the commercial class for the ultimate benefit of society.

Unfortunately, her emphasis on state welfare and entitlement programs rather than dynamic market growth sometimes comes at the expense of basic principles of economics. "One consequence of economic stagnation," she writes, "is that governments need to raise more taxes to pay for more jobless and for more . . . citizens retiring from productive work" (p. 190). Given that premise it is not surprising that she takes a positive view of the economic and public policy performances of Germany and Japan, whose "highly coordinated market economies . . . , recent adjustment pressure notwithstanding, have sustained a greater capacity for growth with equity than . . . Britain and America" (p. 5). But in light of Germany's rigid labor and welfare policies, which have contributed directly to structural unemployment, and Japan's decade-long inability to overcome serious recession, the claim is indeed remarkable. Sweden, in Weiss's view, is an example of laudable but flawed interventionist government. "The critical problem in the Swedish system is not so much the fact of distribution . . . as the absence of a developmental complement to balance distributive goals" (p. 114). Again, private market forces are not seriously discussed as sources of social benefit or even as independent initiators of growth.

As is often true of criticism born on the political Left, Weiss's purely theoretical discussion is more interesting than her case studies. She distinguishes globalization that "goes through" the nation-state from that which bypasses it altogether. While ignoring business per se, she provides a trenchant discussion of internationalized markets, stressing that they have reached scales unforeseen even by the farsighted planners of Bretton Woods. Jargon does interfere with clarity of analysis, however. As an example, the state is described as "a conglomeration of varied crystallizations" that are "polymorphous and factionalized . . . with military, capitalist and nationalist elements." This description in turn leads to "an anti-reductionist theory of the state: there is no one particular crystallization that can ultimately determine the overall character of the state." Her "crystallization theory" implies possible "imbalances," and predictably the "weight of the military crystallization" in the United States results in an emphasis on "externally oriented activity" (p. 16). Such opacity notwithstanding, the work as a whole is not a tiresome left-wing harangue, but rather a thought-provoking analysis that reflects an influential point of view in contemporary academic circles.

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Fire, Water, and Policy

How do all these works relate to one another, if at all? One could imagine Weiss and Sassen having a spirited debate with Micklethwait and Wooldridge, while Gilpin moderates, Held and his colleagues keep score of debating points, and Rosecrance waits to provide a clever summation. What unites them in fact is their understanding of globalization as primarily a political, social, and technological phenomenon, and their common concern for its impact on individuals and social groups, which is what gives economic developments, after all, their human meaning.

Gilpin's cogent description and analysis of the multinational institutional structure is extremely valuable and should be the starting point for serious study of the policy implications of globalization. His emphasis on the need for structural reform and the shortcomings of the ad hoc management of the financial crises of the 1990s directly addresses one of the most serious challenges to the international system. Paul Krugman underscored the same point in a recent column in the *New York Times*: "It's amazing how quickly the terrifying financial crises of the 1990s have faded from memory. The globalization of the financial markets created many new opportunities for things to go disastrously wrong, and they often did." Using one of the most powerful images of the U.S. civil rights movement, Krugman warned of "the fires next time" and the need for pragmatic policymakers, not ideological purists.[8]

In a similar vein, Joseph Nye, dean of the Kennedy School of Government at Harvard, has compared globalization to rain, that is, an inevitable, indeed essential phenomenon that can be either destructive or nurturing depending on how it is channeled.[9] That apt analogy highlights the importance of structure to policies, including those of multilateral institutions. The instabilities created by the rapid movement of enormous amounts of financial value—"hot money"—subject the international financial system to economic storms of potentially epic destructive force. Globalization is far from being a purely economic phenomenon, but effective management of finance, trade, and other commercial activity is the necessary precondition to the success of non-economic dimensions of international integration. The IMF is currently the focus of strong criticism and pressure for change, especially concerning the lack of assertive monitoring of its use of funds. Former secretary of state George Shultz, former Citibank chairman Walter Wriston, and others have argued that the institution should simply be abolished. A principal task of the new Bush administration should be a detailed analysis of the IMF and other

[8] Paul Krugman, "Downhill from Here?" *New York Times*, Nov. 12, 2000. See James Baldwin, *The Fire Next Time* (New York: The Dial Press, 1963), pp. 119–20: "If we do not now dare everything, the fulfillment of that prophecy, recreated from the Bible in song by a slave, is upon us: God gave Noah the rainbow sign, No more water, the fire next time!"

[9] Comments by Joseph Nye at the 50th Anniversary Conference of the Aspen Institute, Aspen, Colo., Aug. 2000.

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multilateral institutions, with priority placed on developing mechanisms to handle international economic crises on a systematic, not ad hoc, basis. This implies new forms of collaboration with international business, and within the U.S. government, in particular among the White House, the Federal Reserve system, and the State and Treasury Departments.

The books reviewed here make a powerful case that globalization reaches far beyond buying and selling, borrowing and lending, production and consumption, capital and labor. The genius of Adam Smith and succeeding political economists was to perceive the dynamic relationship between economic and political change. History teaches that any assumption of a peaceful and comfortable status quo is invariably misleading and potentially disastrous, and that change is beyond the control of even a superpower. Nevertheless, the United States now has an unavoidable role as a global leader; a role that requires sustained attention to foreign policy. Its success in that position will depend on how the country draws on or squanders its enormous strengths in such areas as technology, education, and social diversity to help shape the social, political, and economic consequences of globalization.

The Future of America's Profession of Arms

by Michael P. Noonan

Army Professionalism, the Military Ethic, and Officership in the Twenty-First Century. By Dr. Don M. Snider, Major John A. Nagl, and Major Tony Pfaff. (Carlisle Barracks, Pa.: Strategic Studies Institute, U.S. Army War College, December 1999. 50 pp.)

Generations Apart: Xers and Boomers in the Officer Corps. By Leonard Wong. (Carlisle Barracks, Pa.: Strategic Studies Institute, U.S. Army War College, October 2000. 30 pp.)

Making Citizen-Soldiers: ROTC and the Ideology of American Military Service. By Michael S. Neiberg. (Cambridge, Mass.: Harvard University Press, 2000. 264 pp. $39.95.)

The geopolitical revolution begun in 1989 has caused much consternation for the practitioners and analysts of international affairs, but the U.S. military has arguably had the most difficult time reacting to and accepting the unfolding international security environment. Although some saw the demise of the

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Soviet Union as ushering in a new era of peace that afforded a drawdown in military capabilities, a paradox developed: despite a reduction of more than 30 percent in the size of the force over the last decade, the military's rate of deployment (its operational tempo) has increased by over 300 percent.[1] More significantly, however, the Cold War–era task of preparing for and deterring major wars has been supplanted by missions of peacekeeping, peace enforcement, and humanitarian intervention. The requirement to do more with less and the friction over the proper use of military power have created turbulence both between the American profession of arms and its civilian leadership and within the profession itself. The works under review here explore the implications of this turbulence and suggest ways in which it might be resolved.

Making the Officer Corps

Ever since the formation of organized fighting forces, officers (assisted in some cases by noncommissioned officers) have disciplined their troops, trained them for war, and, when the need arose, led their charges into battle. Throughout most of history, aristocratic privilege and royal patronage largely determined the extent of one's rise through the ranks. Beginning with the French Revolution, however, and advancing as democracy and industrialization transformed war, the modern principle of promotion on the basis of merit alone came to characterize Western military institutions (at least in theory). The spread of democratic norms also had another effect on the military, namely, a distrust of standing armies, which in the American case was due in no small part to the former colonists' experiences with King George's troops. It is no surprise, therefore, that Samuel Adams said of a standing military establishment that "a wise and prudent people will always have a watchful & jealous eye over it. . . ."[2]

Until the Cold War, the American people heeded that advice and, except in wartime, maintained only small professional armed forces. Even the establishment of the military and naval academies in the early nineteenth century was intended to produce skilled engineers and maritime specialists, respectively, rather than warriors.[3] According to the renowned military historian Russell F. Weigley, the American military did not develop any degree of professionalism until the years leading up to the Civil War.[4] As the

[1] Between 1991 and 1999 the military was used overseas 37 times, an average of one deployment every eleven weeks. Michael P. Noonan, "Warfighting vs. Peacekeeping: The Historical Record of U.S. Interventions Abroad, 1798–1999," a paper delivered at the Inter-University Seminar on Armed Forces and Society's Biennial International Conference, Baltimore, Md., Oct. 24, 1999.

[2] "A Letter from Samuel Adams," in *The Military in America: From the Colonial Era to the Present*, ed. Peter Karsten (New York: The Free Press, 1980), p. 18.

[3] West Point, in fact, did not create a department of tactics until 1858 (Neiberg, p. 17).

[4] Russell F. Weigley, "The American Civil-Military Gap: A Historical Perspective, Colonial Times to the

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geopolitical circumstances for the United States changed and the technological means of warfare expanded, the American military gradually moved away from a system in which elected officers commanded volunteer units toward truly professionalized armed services.

The National Defense Act of 1916 solidified the movement toward professionalism by institutionalizing a trinity of armed forces that still exists today: an active-duty component, federal reserve forces, and the National Guard (for the army and, after 1947, the air force) organized by the states. More germane to the discussion here, the act also established the Reserve Officer Training Corps (ROTC). In *Making Citizen-Soldiers*, Michael S. Neiberg, an associate professor of history at the U.S. Air Force Academy, has provided a detailed examination of ROTC from 1950 to 1980.[5]

ROTC may actually be seen as an expansion of the Morrill Act of July 1862, which mandated a place for officer training on civilian educational campuses. Prior to the outbreak of the Cold War, the central function of ROTC was to produce *reserve* officers. The Cold War, however, shifted ROTC's focus to turning out officers for active duty. In 1964, for instance, the air force expected that 50 percent of its officers and the army that 75 percent of its officers would emerge from ROTC programs (p. 87). Current figures are somewhat smaller, but still considerable. For instance, in fiscal year 1998 ROTC produced 31.2 percent of all commissioned officers, more than the service academies and officer candidate schools combined.[6]

Throughout his book, Neiberg's central thesis is that ROTC is an effective commissioning source for the United States because it supports the moderate democratic tradition of keeping the military strong enough to achieve the nation's political and economic goals without posing a threat to civilian liberties and oversight (p. 13). Both the military and the universities supported an on-campus presence for the military—at least until the Vietnam War. The military saw ROTC as advantageous because of: (1) its desire for an on-campus presence (the better to compete with private industry); (2) its desire to maintain good relations with universities (which were particularly important to military research); (3) its belief that ROTC instilled patriotism and civic awareness; (4) the cost effectiveness of ROTC vis-à-vis other commis-

Present," prepared for the Triangle Institute for Strategic Studies (TISS) conference on the Gap between the Military and Civilian Society, Wheaton, Ill., Oct. 1999. Samuel P. Huntington defines military professionalism as a force in which the officer corps shows expertise (the management of violence), responsibility (for the defense of the state), and corporateness (institutional self-awareness and organization). *The Soldier and the State: The Theory and Practise of Civil-Military Relations* (New York: Vintage Books, 1957), pp. 8–18.

[5] It is important to note, however, that Neiberg's research and archival sources relate primarily to the ROTC programs—army, navy, and air force—of ten public land-grant schools, including the Universities of Colorado, Illinois, Michigan, Pittsburgh, Texas, and Washington, and Georgia Tech, Kansas State, Kent State, and Rutgers.

[6] The remaining 40 percent of officers came from direct appointments (11 percent), warrant officers (8 percent), health professional scholarships (5.6 percent), the Marine Corps platoon leader's course (0.1 percent), and other sources (14 percent). See "Where We Get Our Officers," Department of Defense website (http://www.defenselink.mil/pubs/almanac/people/officers.html).

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sioning sources; and (5) its desire to please members of Congress who supported on-campus military instruction. For their part, university administrators and faculty members saw ROTC as beneficial because of: (1) their belief that American higher education had an obligation to assist in the prosecution of the Cold War; (2) their desire to please the military in an era of lucrative government contracts; (3) their fear that negative statements about the military would be construed as "un-American"; (4) their belief that ROTC contributed to both good order and good citizenship on campus; (5) their conviction that ROTC could (beneficially) instill civilian ideas in the military; and (6) their need to please important groups of supporters such as trustees and state legislators (p. 41).

None of this is to suggest that the relationship was always smooth. Neiberg's extensive archival research reveals the many conflicts among and within universities over the intellectual validity of ROTC, the qualifications of instructors, and even the titles bestowed upon those appointed to the military instructional cadre. The Vietnam War and its aftermath especially brought clashes—both literal and figurative— over ROTC's continued place on campus, and many of the nation's elite universities, including Harvard, Yale, Dartmouth, and Stanford, abolished their programs. Other rifts developed over the geographical shift of detachments from the East and West Coast to the South and Midwest, and over the difficulty of recruiting and retaining cadets and midshipmen through to commissioning. This last issue necessitated the use of financial incentives such as scholarships and increased stipends for contracted cadets and midshipmen, beginning in the 1960s and expanding after the creation of the All-Volunteer Force in 1973.[7]

Neiberg does a commendable job of providing an institutional and social history of ROTC from 1950 through 1980, although that cutoff date, however understandable it may be, excludes a period that is clearly ripe for future study. The end of détente and the renewed emphasis on American military strength under Ronald Reagan offer a rich historical record for the interaction of ROTC detachments and universities. This is particularly the case because of the effects of the Vietnam War on the personal politics of university faculty members. (Speaking anecdotally, I can well remember the stern and disdainful glances of a particular Jesuit philosophy professor whenever I wore my uniform to class following the 1989 murders of six Jesuit priests by an El Salvadoran "death squad" at the Central American University.)

In discussions of a growing gap between civilian and military culture over the past decade, ROTC has been offered up as a means to ensure the representation of a broader segment of American society in the military, especially if, for example, ROTC detachments returned to Ivy League cam-

[7] "Contracted" refers to those cadets and midshipmen who are obligated to military service, either as active-duty or reserve officers, upon graduation and commissioning (or in the enlisted ranks, should graduation and commissioning not be satisfactorily completed or attained).

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puses. But as Neiberg shows, the geographical shift in ROTC programs is due in large part to the ability of schools in the South and Midwest to attract greater numbers of participants. The self-selection of students who enroll in ROTC is obviously an important factor. In other words, even if ROTC programs were expanded to elite liberal arts schools, they would probably not produce a great many officers (particularly for combat arms roles), and those they did produce would most likely hold worldviews similar to their peers in ROTC programs at less-competitive educational institutions. Research has shown that the attitudes of officers produced by ROTC are virtually identical to those produced by the service academies.[8] Whatever its flaws, ROTC remains an effective and indispensable means of producing active and reserve officers.

Intergenerational Angst

The organizational structure of the armed services can be roughly described as two triangles, one pointing up, the other down. The first triangle represents the number of service personnel: at the base, the greatest number of people occupy the lowest ranks, and numbers diminish with ascending rank. The inverted triangle represents the authority and responsibility of service members: a general officer has more responsibility than a field-grade officer, a field-grade officer more than a company-grade officer, and so on. The logic of this structure is that qualified and experienced individuals must advance in order for the military to remain capable of executing its war- and peacetime functions.

In the U.S. Army today, that process is ceasing to function. Captains, those with direct responsibility for a company of between 100 and 150 troops or holding key battalion and brigade staff positions, are leaving the service in record numbers. In 1989, 6.7 percent of army captains left the service voluntarily, whereas ten years later the figure had shot up to 10.6 percent.[9] In order to maintain effective command and control, the army is therefore forced to fill the voids at the captain level from a pool of lieutenants still lacking crucial experience and tactical proficiency. This in turn may have deleterious effects on operations, in light of the higher learning curve of those officers given responsibility for larger formations of troops.

[8] Don M. Snider, Robert A. Priest, and Felisa Lewis, "The Influence of Professional Military Education (PME) at the Accession Level on Changing Civilian and Military Opinion," prepared for the TISS conference on the Gap between the Military and Civilian Society, Oct. 1999.

[9] Thomas E. Ricks, "More Than Rank Splits Army's Stars and Bars," *Washington Post*, Nov. 19, 2000. Field-grade officers are leaving as well. For instance, between 1992 and 1995 only six colonels declined commands, but since 1996, 171 lieutenant colonels and full colonels have done so. See Rowan Scarborough, "Army Colonels Reject Choice Assignments," *Washington Times*, Nov. 1, 2000.

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In his groundbreaking study *Generations Apart*, retired army lieutenant colonel Leonard Wong, a staff member of the Army War College's Strategic Studies Institute, examines the roots of this exodus and determines that a booming civilian economy is not the primary motivation for early departures. Rather, an attitudinal divide has emerged between Baby Boomers (born between 1943 and 1960) and Generation Xers (born between 1960 and 1980) (p. 6).

While he notes that generational rifts have always existed in the officer corps, the differences today are atypical because of the increased responsibilities of captains and the fact that many are "blaming their departure on senior officer lack of understanding" (p. 5). He then identifies essential differences in the general sociological characteristics of each generation. Baby Boomers grew up during times of economic expansion, were heaped with attention, taught to "work well with others," and entered adulthood optimistic and driven by the relentless pursuit of goals. Generation Xers, on the other hand, grew up with high divorce rates, an increased need for self-reliance due to the expanded role of women in the workplace, a sense that authority must be earned rather than asserted, a heightened sense of the importance of educational attainments, and the notion that work was a means to earn a living rather than a raison d'être in itself (pp. 6–8). Wong goes on to observe that

> lieutenants and captains are almost exclusively Generation Xers, while lieutenant colonels and above are almost all Baby Boomers. While self-selection and the socialization process of the Army soften many potential aspects of generational conflict, the hierarchical nature of the Army puts Boomers clearly in "senior" ranks and Xers in the "junior" ranks. This is in contrast to many civilian corporations where Xers are increasingly entering the workforce in more senior positions due to entrepreneurial and technological skills. With all the Boomers in the key decision and policymaking positions in the Army, it is easier for Xers to place the blame for Army problems on generational differences rather than the classic line versus staff tension (p. 9).

Examining numerous surveys administered in 1988 and 1998 to army captains of year groups 1981 (Boomers) and 1991 (Xers), respectively, Wong finds significant differences in responses to almost two-thirds of the questions related to the observations described above. Xer captains, for example, are more confident in their abilities to attain higher ranks and find employment outside of the military than their Boomer predecessors. They also tend to view loyalty as a bond of trust between institution and individual rather than as a promise of lifetime employment, and seek more balance between private life and work. Xers are typically not impressed with rank, although Wong goes on to observe that Boomers and Xers share nearly identical views of professionalism and levels of satisfaction with pay and allowances (pp. 11–18).

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To bridge some of the gaps between generations—and thereby retain more young officers—Wong recommends, among other things, creating more balance between work and personal time, decreasing the military's reliance on traditional hierarchical leadership, and using high technology to ease the burden of the more mundane administrative aspects of an officer's duties (pp. 18–25). While these recommendations make sense, one wonders whether a reduced operational tempo and quality-of-life improvements (as candidate Bush advocated) or even a downturn in the American economy might reverse the exodus of officers.

If qualified personnel did stop leaving en masse, then the services would once again have to become more selective in their promotion decisions. But they should take care in establishing criteria. The simplest way for any of the services to differentiate between individuals is to look for *dis*qualifying blemishes on candidates' records, an approach that has led to the most pernicious aspect of the post–Cold War drawdown: the "zero-defects" mentality.

In his memoir, *My American Journey*, retired general Colin Powell relates a story from his days as a second lieutenant. In his haste to move out during an exercise in Germany, he had lost his .45 calibre sidearm. Realizing his quandary, Powell reported this to his company commander, who, after giving the platoon leader the scare of his life, returned the weapon and told him to be more careful in the future. Powell observes that if such a mistake were to happen today, "the Army would have held an investigation, called in lawyers, and likely have entered a fatal black mark on my record."[10] As Wong notes, problems with the "zero-defects" mentality are almost universally acknowledged, but nobody acts to correct them "simply because senior leaders are too concerned about the performance of their unit during their watch" (p. 23). The inverted triangle of authority and responsibility, by overloading the upper ranks and keeping power out of the hands of junior officers, ensures the persistence of a flawed system.

Reinstilling Professionalism

A nightmare for army public relations occurred in the fall of 2000. Press reports began to surface about the misconduct of members of the elite 3rd Battalion, 504th Parachute Infantry Regiment, 82nd Airborne Division. To a man, all had volunteered at least twice—once for the army and once for airborne training—and should have represented the zenith of American military capabilities. Instead, the men "experienced difficulties tempering their combat mentality." (The battalion's motto, "Shoot 'em in the face," should perhaps have given senior leaders reason to question the men's

[10] Colin Powell with Joseph E. Persico, *My American Journey* (New York: Ballantine Books, 1995), p. 45.

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suitability for the tedious functions of peace operations.) Assigned with the tasks of peacekeeping, the battalion commander, Lieutenant Colonel Michael D. Ellerbe, pursued the task of "identify[ing] and neutraliz[ing]" Albanian splinter groups. The battalion's actions ranged from the interrogation at gunpoint of an ethnic Albanian civilian to the rape and murder of an eleven-year-old Kosovar girl. The soldier involved in the latter incident was convicted; nine other soldiers, including Ellerbe and three junior officers, were either reprimanded or faced possible charges for their misconduct.[11] While an extreme case, to be sure, what can this situation tell us about the state of army professionalism?

A partial answer to that question may be gleaned from Don M. Snider, John A. Nagl, and Tony Pfaff's study of the contemporary roles of professionalism, the military ethic, and officership. Anyone interested in military personnel issues should read this monograph from cover to cover. The authors, all at the United States Military Academy, contend that the healthy adaptation of the army's sense of military professionalism is being impeded by "the officer corps' intellectual muddle over the purpose of the Army and their ethical muddle over the role of self-sacrifice in the profession's ethos" (p. 2). Force protection—the minimization of the military's exposure to casualties—is seen as the most insidious cause of the eroding professional ethic of the army.

Minimization of casualties is the most insidious cause of the eroding professional ethic.

Snider and his colleagues examine military professionalism through a framework borrowed from Sam C. Sarkesian, which analyzes the military-technical, ethical, and political components of professionalism with regard to society, the military institution, and the individual soldier.[12] The military-technical component encompasses society's view of issues such as the proposal for a ban on land mines and America's involvement in military operations other than war (MOOTW); the military institution's conceptions about the revolution in military affairs, resources, recruiting, and declining professionalism; and the individual soldier's perspectives on skills and retention. The analysis of the ethical component takes into account the postmodern ("truth is a relative concept") and egoist ("what is best for me") trends in society; the military's professional ethic and emphasis on force protection; and the effect on individual soldiers of contradictory notions from society and the military institution. Lastly, the political component examines the conflicts arising out of casualty aversion and differing views of military intervention across the three levels of analysis (pp. 3–16).

[11] See Robert Burns, "Training Is Blamed for U.S. Soldiers' Abuses in Kosovo," *Philadelphia Inquirer*, Sept. 19, 2000; and Thomas E. Ricks, "Officer Facing Discipline Gets Elite Post," *Washington Post*, Oct. 19, 2000.

[12] Sam C. Sarkesian, *Beyond the Battlefield: The New Military Professionalism* (New York: Pergamon Press, 1981).

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The most valuable contribution of this monograph is its utterly damning arguments about the effects of force protection on the military profession. The profession of arms is unique in modern American society. Soldiers, sailors, airmen, and marines operate under an unlimited liability clause that places their lives at risk even in routine training exercises.[13] Hence, while the desire to keep troops out of harm's way may seem laudable, the authors note that it ultimately erodes the conception of self-sacrifice on which a successful military depends.

When the military is involved in MOOTW, such as in Bosnia, Somalia, and Haiti, it receives mixed messages from civilian and military leaders as to mission goals and the need to minimize casualties. As a result, when the mandates of force protection and mission performance collide, the mission does not get performed. All of this stems from the notion that the American people will not accept casualties, even though research has shown repeatedly that they will support any operation so long as they are convinced that it is in the national interest and will be seen through to completion.[14]

The myth of casualty aversion therefore provides the political and military leadership with cover. Politicians can be seen as intervening in foreign locales without the attendant risks of footage showing U.S. service members returning in body bags. At the same time, the imperative to protect forces allows military leaders to carry out their orders for operations—in which they often see little inherent value—in a perfunctory manner that keeps their personnel out of the enemy's crosshairs.

Unfortunately, the charade above only further isolates junior officers from their superiors. The former, say Snider and his colleagues, accept and believe in the notions of self-sacrifice and MOOTW while the latter largely reject MOOTW and are therefore unwilling to make sacrifices. Before delineating several principles for reviving the professional military ethic (pp. 36–40), the authors spell out the dire consequences of the rift within the officer corps in no uncertain terms.

> *The trust in operational commanders' ability to accomplish missions prudently and competently, irrespective of the number of American casualties, must be restored, and immediately so. Without that, few officers aware of the profession's need to maintain its unique ethic will seek command. Ultimately there will be no profession, only an obedient military bureaucracy with no autonomy, one which responds in an un-*

[13] While members of law enforcement, firefighters, and emergency medical technicians may also operate under these conditions, members of the active-duty military (and, increasingly, selected members of the federal reserve and National Guard) can be called up at any time and sent anywhere on operations of indefinite duration.

[14] See Eric V. Larson, *Casualties and Consensus* (Santa Monica, Calif.: RAND, 1996); James Burk, "Public Support for Peacekeeping in Lebanon and Somalia: Assessing the Casualties Hypothesis," *Political Science Quarterly*, Spring 1999, pp. 53–78; and Peter D. Feaver and Christopher Gelpi, "The Civil-Military Gap and Casualty Aversion," prepared for the TISS conference on the Gap between the Military and Civilian Society, Oct. 1999.

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> *thinking and uncritical manner to the requests and directives of civilian leaders. We doubt the military effectiveness of such a bureaucracy* (p. 26, italics in original).

The (Long) Way Forward

The election of George W. Bush may alleviate some of the problems discussed above, if he makes good on his campaign promises to limit American involvement in MOOTW and improve readiness and the quality of life in the military. But not even increased resources and a reduced operational tempo can effect a miraculous turnaround of long-term trends. Addressing them will require sustained attention and specific policy changes in several areas.

Strategy. While it is well and good to call for reduced American involvement in MOOTW, the fact remains that the United States, for the foreseeable future at least, faces an international security environment in which the low-level threats of ethnic cleansing, humanitarian crises, and terrorism will far outnumber traditional high-intensity conflicts. The military should never be used in wanton fashion in MOOTW, but the American people will occasionally expect action from their leaders when they see egregious human suffering abroad. The military must therefore prepare for the possibility of war while also tending to the more mundane needs of peace operations.

Leadership. The new administration must aggressively seek, through top-down directives, to eliminate the "zero-defects" mentality and the burdensome restrictions of radical force protection. The service secretaries should reassert their authority over promotion decisions within their service. The military leadership should be put on notice that mistakes—particularly at the junior level—are to be expected and that mentoring must complement mere discipline and rewards. Furthermore, prudent risk taking must be encouraged throughout the ranks. Similarly, military leaders must be able to carry out their missions without an overriding necessity to protect their troops. When intervention is necessary, the civilian leadership must clearly articulate the mission's goals and objectives while also realistically and authoritatively acknowledging its risks.

Education. Professional military education must be utilized as much as possible, across all ranks, to raise the awareness levels of service personnel about the histories of their particular services. Doing so would accomplish two goals. First, it would raise professional knowledge and instill pride in one's service. Secondly, it would convey the extraordinary nature of the Cold War in America's military history. Lessons about U.S. involvement in operations such as the China Relief Expedition of 1900, the Philippines campaign of 1899–1902, and the Punitive Expedition to Mexico in 1916 would show service members that today's "nontraditional" missions in fact have numerous antecedents.

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Personnel. The current difficulties in the areas of recruiting and retention must be used to reexamine the "up or out" rationale of the promotion systems. Some officers and enlistees should be allowed to remain in their present ranks without facing time-in-grade penalties. Retaining personnel in this fashion would preserve essential experience and expertise within certain fields and create a broadly competent cadre that could be used virtually interchangeably in key command and staff assignments. In exchange for such career sacrifice, these individuals might at retirement be granted the benefits of the next higher rank without ever holding it, or perhaps receive targeted pay bonuses.

Furthermore, the individual services should consider establishing officer cadres that maintain expertise, both operational and intellectual, in the intricacies of peace operations. Each service could select and cultivate a critical mass of qualified individuals charged with creating doctrine, developing and executing realistic training programs, and leading deployments in the field. Tracking the career orientation of a limited number of officers in this fashion would build a useful repository of institutional memory for the services and form a core group that would be culturally attuned to the politico-military realities of MOOTW as a discrete functional area.

Only time will reveal the effects of this past decade's turbulence within the military. The next several years should offer some evidence of either the advance or retreat of problems within the profession, evidence that is bound to provide plenty of fodder for yet another electoral campaign. In the end, however, only the next large *military* campaign will clearly demonstrate the competence and abilities of the men and women in American uniform.

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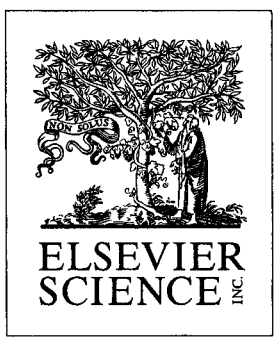

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